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## NEWS SUMMARY

**GENERAL**  
**DC-10**  
Europe  
lights  
 resumed

European air authorities gave go-ahead for DC-10 flights resume today, despite official warnings about the aircraft's tail and the prospects of a return to normal conditions.

**torpe jury**  
it today  
Jeremy Thorpe trial jury retired to consider its verdict. On the last full day of his trial, Mr. Justice Cantelmo described self-confessed hit man Andrew Newton as a "hopeless" and a "conceited idiot".

**A bomb hotels**  
a leading Ulster hotels were damaged in a co-ordinated IRA bombing attack throughout the province. Three people were injured, one seriously. About 50 IRA men were thought to have been involved in the offensive.

**ri murdered**  
murder hunt was launched in Merseyside after a 19-year-old girl was shot in the head as she rode piggyback on her brother's shoulders at Litherly in Rainhill.

**rams award**  
Mr J. Hyams, developer of the Point, was awarded 100 libel damages in the High Court over a Daily Mail article which suggested that his luxury hotel had been impounded as he had not paid a repair bill.

**aching move**  
The Isle of Man is re-examining its law to keep the high for its offenders. Many MPs in the British Government to sue the Council of Europe to exempt the island's bachelors from the Human Rights Convention.

**room absent**  
In Bloom, former head of the shed Rolls Razor washing machine company, failed to appear at London Bankruptcy court for his public examination. The hearing was adjourned indefinitely.

**police on campus**  
Police called to Sussex University to prevent continued disruption of preliminary examinations arrested Stuart Pearson, a student leader expelled from campus on June 3 for previously disrupting the exams. Out of 400 students continued to occupy the university telephone exchange. Term ends on Friday.

**ieffy . . .**  
Ten count soared to a very high 145 in London and the me County. But the Asthma Research Council said this year's hayfever season would be milder than usual.

a people's store Harrods is commended for rock bottom prices in the Guide to Good Shops, just published. The Harrods, Susan Campbell, says Harrods has the best bargains in butter and bacon.

**RIEF PRICE CHANGES YESTERDAY**  
Prices in pence unless otherwise indicated

RISERS		FALLS	
sheep 3pc 1983	280 + 1	Plym	170 + 14
sheep 12pc 1983	284 + 1	Raybeck	124 + 7
sheep 15pc 1983	284 + 1	Tocalumit	156 + 11
sheep 20pc 1983	284 + 1	Towles A	84 + 5
sheep 25pc 1983	284 + 1	Trust House Forte	164 + 4
sheep 30pc 1983	284 + 1	UBS	97 + 4
sheep 35pc 1983	284 + 1	Westmill	38 + 4
sheep 40pc 1983	284 + 1	Westminster Prop.	44 + 4
sheep 45pc 1983	284 + 1	LASMO	236 + 10
sheep 50pc 1983	284 + 1	Siebens (UK)	215 + 14
sheep 55pc 1983	284 + 1		
sheep 60pc 1983	284 + 1		
sheep 65pc 1983	284 + 1		
sheep 70pc 1983	284 + 1		
sheep 75pc 1983	284 + 1		
sheep 80pc 1983	284 + 1		
sheep 85pc 1983	284 + 1		
sheep 90pc 1983	284 + 1		
sheep 95pc 1983	284 + 1		
sheep 100pc 1983	284 + 1		

## Sharp rise in imports and slight fall in exports

# £1bn trade deficit in five months

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITAIN HAD a deficit of £1.08bn on the current account of its balance of payments in the first five months of this year, following a surplus of £604m in the second half of 1978. This was the result of a sharp rise in imports, notably of cars, coupled with a slight fall in the volume of exports.

The May figures, published yesterday by the Trade Department, indicate that the underlying position is even worse than suggested by estimates earlier this month for the January-to-April period. This reflects both the impact of the consumer boom and a longer-term erosion of the competitive position of British goods.

The narrowing of the current account deficit from £217m in £75m between April and May is almost certainly misleading. This is because of the continuing distortions resulting from the road haulage strike and from the civil servants' industrial dispute. After allowing for all these factors the official view is that the value of imports continued to rise in May while exports remained fairly sluggish.

The figures thoroughly confused the financial markets. Prices of short-dated gilt-edged stock, which were a point up before the figures, closed only a point higher, while longer-dated stock closed up to a higher after earlier gains of a point. At this level the yield on the new 1989 issue—on offer tomorrow—is moving into line with existing market returns.

Although the pound rose sharply against the dollar in the late afternoon following the publication of the figures, this principally reflected the weakness of the dollar against all major currencies. Sterling rose 1.73 cents to \$2.1235, its highest level since August 1975, and the rate was strengthening after hours in New York. The pound was less strong against Continental currencies and the trade-weighted index dropped by 0.1 to 68.2.

The latest figures indicate that various industrial disputes have made the deficit look smaller than it actually was. This is mainly because of under-reporting (chiefly of imports) amounting to £600m in the first five months of the year which will show up from now onwards. However, the full recovery of exports from the road haulage strike may not yet have worked through.

The Whitehall view is that after allowing for all these distortions the deficit on visible trade between January and May may have been around £2bn, compared with a published figure of £1.62bn. The surplus on invisibles was £614m in the period.

This represents a very big deterioration on the visible trade balance since the end of last year. As export prices were continuing to rise, the volume of overseas sales may have dropped slightly.

**BALANCE OF PAYMENTS**  
£m seasonally adjusted

	Visible	Invisibles	Current
1978 1st	-596	+227	-369
2nd	-173	+381	+208
3rd	-367	+521	+154
4th	-39	+489	+450
1979 1st	-1,181	+394	-787
Jan.	-126	+132	+6
Feb.	-766	+131	-635
Mar.	-289	+131	-158
Apr.	-327	+110*	-217*
May	-185	+110*	-75*

\* provisional  
Source: Dept. of Trade

The official hope, as embodied in last week's Treasury forecasts, is that the current account will return to rough balance in the second half of this year though the first half deficit may not be as low as the projected level of £730m.

The Trade Department yesterday commented that the first five months figures included what "is probably an erratically large increase in imports." After allowing for distortions, the average monthly value of imports was 14 per cent higher than in the second half of last year. On the same comparison the volume of car imports was 41 per cent up.

It is possible that this may have reflected stockpiling and purchases associated with the consumer boom. If this is the case the growth of imports may now slacken though there appears to have been a further underlying rise in the overseas share of the UK market.

After allowing for distortions, the value of exports up to May was probably little changed on the level in the second half of last year. As export prices were continuing to rise, the volume of overseas sales may have dropped slightly.

possibility of a pay freeze at some stage but made it clear he intended to do everything possible to avoid such a course.

The background to the discussions between Mrs. Thatcher and the TUC was made more bleak by an admission by Mr. James Prior, Employment Secretary, that on current trends unemployment is likely to be higher in 12 months' time than at present.

But he refused to give precise estimates and would not confirm reports that the number out of work could reach 2m over the next few years.

Lord Cockfield, Minister of State to the Treasury, echoed Mrs. Thatcher's warning when he told the Lords that excessive wage demands would mean workers pricing themselves out of jobs.

The proposed national forum which will not be set up before autumn at the earliest, would be to allow "all major participants" to consider implications of the Government's fiscal and monetary policies, he said.

John Elliott writes: Sir Keith Joseph, Industry Secretary, said last night that no firm decision had yet been made about creating the forum, and then indicated he has reservations about the idea.

If a Minister is allowed to indulge himself in a little reservation, I am intrigued by the idea of the dialogue but terrified it will produce simplistic assumptions," he said.

Parliament Page 12

## World oil crisis near, says Yamani

BY KEVIN DONE, ENERGY CORRESPONDENT

SHEIKH Ahmed Zaki Yamani, the Saudi Arabian Oil Minister, warned yesterday that a world energy crisis could develop in the next 10 years that would make the "current situation appear like a mere passing event of trivial consequence."

If world oil demand was allowed to grow at the moderate rate of 2.5 per cent a year "irreversible physical shortfalls in supplies" could take place as early as 1988. As demand began to outpace supply, the pronounced shortage would be likely to force market prices up to three to four times the present level.

In an address to a London shipping conference Sheikh Yamani confirmed that Saudi Arabia was considering a 1m barrel a day increase in crude oil production from the beginning of July. But in return the oil-consuming nations had to reduce their demand.

"No matter how much we increase our production, under the present circumstances we cannot achieve anything unless the consumers cut their consumption drastically."

Saudi Arabia is clearly trying to take a firm initiative in the preliminary manoeuvres before next Tuesday's meeting of the Organisation of Petroleum Exporting Countries in Geneva, which will fix crude prices for the second half of the year.

It is anxious to bring some order to the chaotic OPEC pricing system and appears ready to use the threat of increased production to undermine OPEC members' more extreme demands for higher prices.

Sheikh Yamani said: "Our policy in Saudi Arabia is to stop this panic in the spot markets of Singapore and Rotterdam, to unify the price of oil and stop this multi-tier pricing system. We wish to come back to balanced supply and demand for 1980, 1981 and probably 1982."

But Saudi hopes for moderating price increases had a setback yesterday when Kuwait announced it was following Iran by increasing a "most favoured seller" clause into its contracts.

In effect Kuwait is imposing a surcharge on its crude equal to the highest surcharge demanded by any other OPEC producer.

Kuwait's previous surcharge was \$2.40 a barrel but if it follows the price lead set by Libya the surcharge could rise to about \$5.30 a barrel. Its main export crude has been priced at \$18.40 a barrel in recent weeks, but this latest move might raise the price to \$19.20 a barrel.

It is still not clear whether Iran and Kuwait will take the highest Gulf prices or the highest OPEC prices as the guide for their new pricing.

But the moves are clearly intended to strengthen their case for higher prices when OPEC convenes.

The new Kuwaiti prices will have effect from June 1. Its main customers are British Petroleum, Shell and Gulf.

BP is also facing new supply difficulties in Nigeria. It is understood that Nigeria has Continued on Back Page

## Mrs Thatcher gives jobless warning over pay claims

BY RICHARD EVANS, LOBBY EDITOR

MRS. MARGARET THATCHER gave the sternest warning so far that the Government will be prepared to see higher unemployment and more bankruptcies if trade union negotiators insist on demanding excessive wage settlements next winter.

"She made it clear in the Commons that Ministers have no intention of introducing either a pay freeze or any other form of incomes policy, but would rely on the pressures of market forces and on acceptance by the trade unions of economic realities."

"I believe it is far better for people to be faced with the consequences of their own wage claims than to try to save them from it," she said during questions from MPs worried at the wage tactics of unions in the next pay round faced with inflation of 17 per cent or more.

Options on pay policy are being prepared for the Cabinet, and a new form for economic discussion between Ministers, unions, employers and others is being planned. But indications are that Mrs. Thatcher intends to stand by her election manifesto pledges on pay policy.

The Government's emphasis will be on persuading unions to secure genuine productivity agreements with employers in the private sector, and to accept the logic that excessive settlements which companies cannot afford must be harmful. There will be a determined attempt to get away from the idea of a pay round.

These firm views will be put to the TUC-Economic Committee by Mrs. Thatcher when they meet for the first time since the Budget next Monday. The signs are that union leaders will be left in no doubt about the choices facing them in the next pay round.

Mrs. Thatcher refused to confirm a report that the Government was constructing a pay policy by another name. "The only incomes policy I am interested in is an output policy to get increasing output at competitive prices. That is the only way we will get a rising standard of living in this country," she declared.

The Prime Minister again kept her options open on the possibility of a pay freeze at some stage but made it clear he intended to do everything possible to avoid such a course.

The background to the discussions between Mrs. Thatcher and the TUC was made more bleak by an admission by Mr. James Prior, Employment Secretary, that on current trends unemployment is likely to be higher in 12 months' time than at present.

## £57m Tilling rights issue taken up by 25% of shareholders

BY CHRISTINE MOIR

THOMAS TILLING'S invitation to its shareholders to provide £57m for further expansion has been declined by holders of three out of every four shares.

It now seems likely that the remaining 75 per cent—£42.75m—will be left with underwriters J. Henry & Sons Ltd. and the 300 to 400 institutions who volunteered to sub-underwrite the issue at 138p.

When they made their decision Tilling's shares were standing in the market at 163p, so the issue price represented a 15.3 per cent discount.

By yesterday evening the old shares were 135p in the market, unchanged on the day, and the new shares, fully paid and not liable for stamp duty, were down 1p at 136p.

Over the period this represents a fall of 17.2 per cent compared with a decline in the FT 30-share index of 4.7 per cent.

At the time the issue was announced Mr. Patrick Meaney, Tilling's managing director, justified the call for capital by saying: "It was a good time to come to market. The share price was right. Our growth record was supported by our latest figures. And the market is receptive to issues."

The outcome of the issue will not be known until after 5 pm today. Under Stock Exchange rules the brokers to an issue, in this case Rowe and Pitman, have a couple of days in which to try to find buyers prepared to take up the total outstanding; at any price above the issue price. If that fails the "suck" it is called, reverts to the underwriters.

The last time underwriters were left with a "stick" of this magnitude was in November, 1976, when General Accident called on its shareholders for £43m. The underwriters in that case had to buy in 85.7 per cent of the issue at 124p when the market price was 122p.

## More U.S. petrol curbs

BY STEWART FLEMING IN NEW YORK

TIGHTENING OIL supplies in the U.S. have forced seven north-eastern states to announce plans for new restrictions on petrol sales to the public.

A nationwide strike by independent hauliers who transport much perishable farm produce, has also been threatened.

Following the lead of California in the spring, the Governors of New York and New Jersey have announced that from Wednesday and Thursday filling stations in the New York metropolitan area will have to ration petrol.

In New York motorists will be able to fill their tanks only on alternate days. In New Jersey attendants will have to check that a customer's tank is less than half full.

Under the alternate day system, motorists with even-numbered licence plates will be able to fill up on even days of the month, the others on odd days.

Continued on Back Page



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FT 20/6

## EUROPEAN NEWS

## Rupert Cornwell on the paradoxical strength of the Italian lira

### The pleasures of monetary virtue

ITALY IS at present enjoying a pleasure it has hardly tasted since the 1960s, a consistently strong currency. In true Italian fashion, paradox abounds. The currency gets stronger as the energy crisis worsens in a country more dependent than any other in Europe on imported oil, and which has so far done less than most others to solve the problem.

How long this happy state of affairs will continue is another matter. In the run-up to the Tokyo economic summit later this month the monetary authorities are for once showing signs of slight embarrassment over reserves which are not too small, but too large.

In the three months since the European Monetary System has been operating, the lira has gained about 2 per cent on average against the other participating currencies — and against the Belgian franc, at the moment the weakest link in the EMS, by around 4.6 per cent.

Perhaps most remarkable of all, the advance has taken place while Italian inflation has been rising steadily and while the country has been experiencing a steady economic upswing. Official and unofficial forecasts now suggest that gross domestic product will grow by 4 to 5 per cent in 1979.

In the past such a combination would automatically have entailed a sharp rise in imports, a deep trade deficit and measures to curb demand. This time, not so, at least so far.

Since the start of the year the Bank of Italy has been intervening heavily on the foreign exchange markets to control the lira's ascent. Sig. Paolo Baffi, the Governor, told the bank's annual meeting last month that by the end of April reserves had risen to L27,400bn (\$32.2bn).

More to the point, whereas official reserves 18 months ago only just covered the sum of official debts and commercial



Sig. Paolo Baffi

banks' foreign liabilities, today they exceed them by L14,000bn (\$16.4bn).

Although Sig. Filippo Maria Pandolfi, the Treasury Minister, has intimated that Italy will seek a further standby credit from the International Monetary Fund once a new government has been formed, such a step would be purely cosmetic.

Far from needing money, the country is paying funds into the IMF, in keeping with its new-found position of an international creditor nation.

But the most striking sign of the changed times is the flurry of argument over whether Italy should embark on a gently managed revaluation of the lira, as a means of helping to keep inflation at bay, at least that

part of it which is imported. The debate in fact is somewhat misplaced, since the performance of the lira within the EMS already amounts to a slight revaluation. But the argument against it raises most of the problems which surround the future management of the currency.

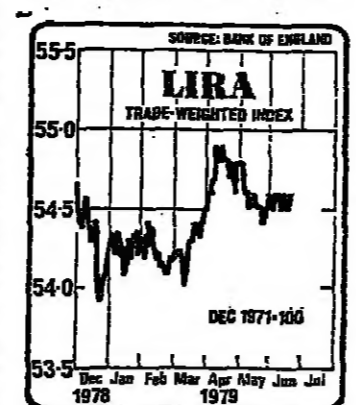
In the first place, the movements of the lira are heavily conditioned by the most important international exchange rate, of the Deutsche Mark against the dollar. Last year the dollar remained weak. The Bank of Italy could simultaneously allow the lira to decline against the stronger European currency bloc, thus improving the export competitiveness of industry, but to gain against the dollar, thus holding steady Italy's raw material import bill.

Recently the trend has been reversed, with the improvement in the dollar's performance against the DM. While the lira has moved upwards against the mark and other EEC currencies, it has weakened slightly vis-à-vis the dollar.

But will the dollar remain strong against the mark, given the determination of the German authorities to stamp out inflation? Not for very long, in the view of some here, in which case the former pattern might well again re-emerge, before any lasting damage has been done to industrial competitiveness.

So far, despite an internal inflation rate double the European average, competitiveness has held up very well. The buoyancy of exports has not been one of the most important reasons for last year's payments surplus of L7,000bn but also for the significant increase in 1978 of Italy's share of world trade.

Revaluation would put this at jeopardy. Everyone points to what has happened in Britain, where the



pound was allowed to rise sharply leading to a short-lived impact on inflation and more pressure on export margins. Italy's present success, it is argued, reflects seasonal and reversible factors: interest rates among the highest in Europe, and what is likely to be a boom in foreign visitors this year. Last year's tourism inflow of L5,000bn may go up to L6,000 or even 7,000bn, according to some estimates. The concentration of this spending in the summer more or less guarantees a solid lira until the autumn.

Then the real difficulties may appear. The Bank of Italy is acutely worried about the outcome of the current round of wage negotiations, which are likely to produce a big jump in labour costs for industry.

The other bugbear is the public sector deficit, running at around 15 per cent of GDP. Officials hope that, even if the scale mobile system of automatic wage indexation is

BACKGROUND TO THE TOKYO ECONOMIC SUMMIT

untouchable, a strong enough Government will emerge to prune some of the other forms of indexation, in pensions, for example.

Then there is oil. Whereas countries like Switzerland, Germany and Britain have started to pass on the sharp increases in crude prices, Italy has so far done little. The Central Bank is among the most vigorous proponents of swift action.

These factors explain why Governor Baffi was concerned enough by the likelihood of a wide and persistent inflation gap between Italy and its EMS partners to insist on a 6 per cent fluctuation band.

The answer to why Italy, against all previous experience, is managing to combine growth with a contained trade deficit lies, according to both central and commercial bankers, in a new, more professional approach to stock management. This reflects partly the proliferation of small and medium sized industries, prominent exporters and importers, who can be extremely cautious in their inventory policies. But also among larger groups, stock management has been given far greater priority, given the extremely high cost of borrowing money.

This unsung development may be one of the most important changes in the economy. It may not be enough to keep the lira for ever on the path of monetary virtue, but it is proof of what in the long run may be still more important for the country, the resilience and powers of adaptation of what might be termed the "grass roots" economy.

## Election setback in Sardinia for Communists

BY OUR ROME STAFF

AS SOME 13m workers staged strikes throughout Italy in protest at the slow progress of wage talks, the Communists (PCI) have suffered a further electoral setback, this time in regional polls in Sardinia.

The result, on the eve of the opening of the country's eighth post-war parliament, follows the party's disappointing showing in the general and European elections earlier this month.

With just 26.2 per cent of the poll, the PCI has dropped back by a further 5.5 per cent compared with its performance in the general election. In fact the Communists in Sardinia are below the level they achieved at the last regional elections five years ago.

The outcome, which broadly confirms the recent trend for smaller "lay" parties to do well, serves to underline the problems facing the Communists as they prepare for next week's central committee meeting that is expected to endorse important changes in the structure of the party's leadership.

It also lends added significance to the departure of — now reluctantly approved by the party hierarchy — of Sig. Pietro Ingrao, from the prestigious job of president of the national assembly, to concentrate on purely party affairs.

Sig. Ingrao has emerged as one of the most respected and authoritative figures on the

"left" of the PCI. On several occasions during the last six months he has been criticised for his policies.

With the exception of the unpredictable Radicals, most parties seem to have accepted that another Communist should take over the assembly presidency, in keeping with the now established tradition that a representative of the second largest political group should preside over one of the two houses of the Italian Parliament.

Sig. Amintore Fanfani, the former Christian Democrat Prime Minister, is expected to be reconfirmed in the second ranking post of president of the Senate.

The Communists were due last night to nominate their candidate for the chamber. The favourite was the Sig. Nilda Jotti, already a vice-president of the assembly and a member of the PCI's central committee for two decades. If chosen, she would be the first woman to hold so important a constitutional post in the Italian republic.

Once the new parliament has elected its top officials, the way will be clear for the start of the laborious process of establishing a new government.

Meanwhile, millions of workers stopped work yesterday throughout the country in an attempt to hasten progress in talks to settle new three-year contracts for wide sections of industry.

## Sweden's engineering profits worst ever

By William Duffell in Stockholm

SWEDISH engineering companies experienced their worst year ever in 1978. Although their average profit plunges should be halted this year, they will still be far short of the profitability level they must reach to fulfil their role in Swedish economic growth.

The message was emphasised yesterday by Mr. Åke Nordlander, managing director of the Engineering Association, when he presented the preliminary results of the association's annual company profits study. This indicated that 44 per cent of the engineering companies operated at a loss in 1978.

The average pre-tax return on equity was only 4.2 per cent, compared with the 14 per cent recorded in 1973 and the 12 per cent, which Nordlander sees as a reasonable target. Worst hit were the small and medium enterprises: the large concerns performed better.

Medium sized companies, employing between 150 and 500 people, averaged a pre-tax loss of 2.7 per cent on equity, while small companies, with 75 to 150 employees, saw their return sink from 4.3 per cent in 1977 to 1.1 per cent last year.

Over the last four years, 25,000 jobs have disappeared from the Swedish engineering sector, and one in five employees work in a company which made a loss in 1978.

Nevertheless, Mr. Nordlander would not use the word "crisis". Profitability varied widely among the companies in each branch.

The delayed effect of the 1977 devaluation of the Krona and the moderate wages settlement negotiated last year had improved the situation for the industry, he said, but not enough. Employers' tax burden had to be eased.

## Turkey agrees to attend Balkan conference

BY OUR ATHENS CORRESPONDENT

TURKEY HAS agreed to attend a Balkan conference in Athens in November to discuss multi-lateral co-operation in transport and communications.

Romania and Bulgaria have already said they will attend the conference which was suggested by Prime Minister Constantine Karamanlis, of Greece. Yugoslavia is expected to reply in the next few days.

Mr. Karamanlis believes that co-operation between Balkan countries in non-political fields can help create a climate of détente in the peninsula, which could also ease tension between Greece and Turkey.

Projects expected to be discussed at the conference include the trans-European motorway to link Europe with the Middle East. The motorway will begin at the Baltic seaport of Gdansk and end in Athens.

The costs for constructing the highway are immense and the United Nations Economic Commission for Europe which is involved in the project, is banking heavily on help from international organisations.

Another important transport project to be considered is the plan to link the Danube and the Aegean Sea through a waterway.

## Swiss dollar sales reduce reserves

By John Wicks in Zurich

FOREIGN CURRENCY reserves of the Swiss National Bank fell by SwFr 1.04bn (£277m) to SwFr21.4bn (\$394m) in the week ended June 15. This decline, which followed a drop of SwFr 1.81bn in the previous week, and was due in part to National Bank sales of dollars, took the figure to its lowest level since the third week of September, 1978.

Since then, the National Bank's foreign currency holdings have risen considerably, reaching a peak of SwFr 31.9bn just before Christmas.

## Norway dispute over oil pollution equipment

BY FAY GJETER IN OSLO

SHARPLY conflicting reports have been received in Norway about the performance of Norwegian equipment being used to fight pollution from a well blow-out which is sending 5,000 tonnes of oil a day into the Gulf of Mexico.

If the clean-up attempt should prove a total failure, it could provide ammunition for opponents of Norwegian Government plans to allow oil drilling, from 1980, in the fish-rich waters off Norway's northern coast.

At the blow-out site in E-peche Bay, a Norwegian scientist said at the weekend that "not a drop" of oil had been sucked up by the two "skimmers" flown to Mexico last

week. The oil was so diluted with sea water that the skimmers were ineffective, he said.

A spokesman for Statoil, Norway's state oil company, said however, that the equipment was working satisfactorily under the circumstances and seemed to be containing the spill. He said some 1,200-tonnes of oil/water emulsion had been sucked up on Saturday. Statoil engineers are co-ordinating the clean-up.

The special conditions in the Gulf of Mexico appear to have created some difficulties for the Norwegians. The water is shallower than in the North Sea, and the intense turbulence above the blow-out well emulsifies the

oil with water, making it harder to collect.

The mobility of the containing booms has also been a problem. They are designed for use with highly manoeuvrable boats operated by trained crews.

Such boats were not immediately available in Mexico, and shifting currents carried some oil away from the booms before boats were supplied by Pemex, the Mexican state oil company.

Despite the differing conditions, however, Norwegians will be worried if their anti-spill equipment does not significantly check pollution from the Mexican well. The Government's

faith in the effectiveness of this equipment, stockpiled in depots all along the Norwegian coast, has been an important official argument for giving the green light to drilling in the north.

Mr. Odvar Nordli said yesterday in San Francisco, that Norway has significantly benefited from wage and price controls despite its commitment to free market economy, AP-DJ reports.

Norway had implemented wage and price controls 15 months ago, he said, and inflation had reduced from nearly 10 per cent in 1977 to between 4 and 5 per cent in the past 12 months.

## Spanish papers shut

Six state-run newspapers in Spain closed yesterday following a government decision to trim the losses of a media chain inherited from the regime of the late General Franco, Reuter reports from Madrid. They were *Avanza*, *Madrid Solidario*, *Nacional*, and *La Prensa* of Barcelona, *Amancor* of Saragossa, *El Pueblo Gallego* of Vigo and *Libertad* of Valladolid. The news agency Pyres, also owned by the chain, shut on Saturday.

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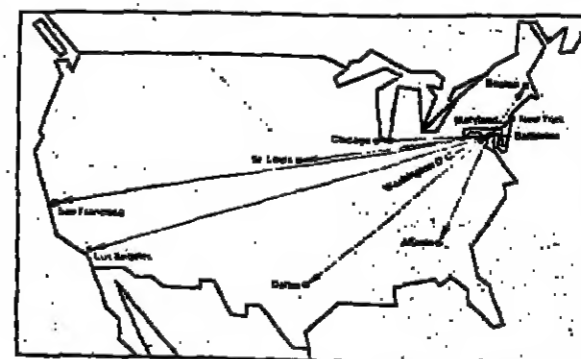
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Jeff Smith

## EUROPEAN NEWS

## Assembly boycott buys time for Turkish premier

By METIN MUNIR IN ANKARA

MR. BULENT ECEVIT, the Turkish Prime Minister, yesterday escaped a move by the united "Right-wing" opposition parties to defeat him in Parliament and oust him from power. Mr. Ecevit's social democratic Republican People's Party (RPP) boycotted the National Assembly session which was to have debated a censure motion moved by the Right wing parties, which claim to have a majority in the Assembly. As a result of the boycott, the session was unable to constitute a quorum. The censure motion was against Mr. Tuncay Matraci, the Minister of Customs and Monopolies, after allegations that he had been misusing his office. Mr. Suleyman Demirel, the main opposition leader and former Prime Minister, accused the Government of "running away from Parliament, and by doing so becoming a party to the wrongdoings of a Cabinet minister."

Mr. Ecevit presumably feared

## Portuguese Bill will end domination of unions

By JIMMY BURNS IN LISBON

AFTER MORE than a year's delay, the Portuguese Parliament has begun formal debate of a Bill which aims to liberalise Portugal's ambiguous and restrictive union legislation. Already assured of wide parliamentary support, it will establish the right of free association and effectively put an end to the monopoly of the labour movement by the Communist-dominated General Workers' Confederation (Intersindical). A central article in the Bill stipulates that union elections should be based on the principle of proportional representation. In practice, this will mean that the recently-created non-Communist trade union organi-

sation, the General Union of Workers (UGP), will be able to share workers' committees with members of Intersindical. They will also be able to participate more fully in negotiations with the Government. Intersindical has refused to recognise the UGP, claiming that the formation of a new union organisation is proscribed by law. In a strongly-worded statement yesterday Sr. Teixeira da Silva, a member of Intersindical's National Secretariat, pledged total opposition to the application of the Bill. "The Bill represents a grave attack on trade union freedoms and is both undemocratic and unconstitutional," he said.

## Dutch union protest passes peacefully

By CHARLES GATCHELOR IN AMSTERDAM

AN ESTIMATED 50,000 strikers marched through Utrecht yesterday, while demonstrations and short work stoppages were staged throughout the Netherlands. The day's protest was called by the FNV union federation to mark its opposition to planned Government spending cuts. The federation claimed its action had been a success, but employers' organisations said that the strike had had little impact. Minor incidents occurred when police removed strikers blockading the entrance to an industrial area in The Hague, and when pickets in Amsterdam prevented the few trains which were still running from picking

## Modest growth in French industry

By Terry Dodsworth in Paris

FRENCH manufacturing industry has moved back into modest growth after the stagnation in industrial production in April. It can now look forward to continuing expansion up to the August holidays after which higher oil and raw material prices may cause a slow-down.

These forecasts from the Bank of France's monthly bulletin for May confirm similar indications in recent surveys from the Paris Chamber of Commerce and Industry, and the employers' association. They all show the country is going through a spell of cautious growth in which existing capacity is being well utilised, despite inhibitions about further investment.

The main stimulant to industry was provided last month by orders from inside France, the Bank says. These went up at a rate higher than the normal seasonal variation, which may indicate companies were stocking up before the summer holidays and the new round of price rises related to the oil-price increase.

Orders from overseas, which have been a significant prop to French industry this year, have also held up well.

Companies are worried, the Bank says, about their ability to remain competitive in world markets under the pressure of rising prices in France, although they remain reasonably optimistic.

In individual sectors, the most marked growth was in semi-finished goods. The capital goods industry remained steady, with encouraging overseas demand.

In consumer goods, where demand has slackened in France, the vehicles and processed foods industries held up well.

The surveys have been published against a background of official acceptance that the present oil price situation will cut the French economy's predicted growth-rate this year from 3.7 to 3.4 per cent.

Indications are that the main difficulties in absorbing the oil and raw material price increases will come in the autumn and winter, when they could spell serious problems for the country's current balance of payments surplus.

The improvements noted by the bank are also consistent with the general pick-up in the financial health of French industry, which has been raising production while holding its labour force steady.

## Oil discovery

Traces of oil have been found at Eusee in south-west France in sufficient quantities to raise hopes of commercial production by the two companies involved, the nationalised Elf-Aquitaine group and Esso Rep, writes Terry Dodsworth in Paris. The field is unlikely to produce more than 250,000 tonnes of oil a year.

## EUROPEAN ECONOMY IN THE 1980s

## Ortoli warns of 'brutal change'

By GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT, IN BRUSSELS

EUROPEAN ECONOMIES face a decade of brutal structural change, during which governments will be condemned to policies of austerity and personal consumption will take second place to increased investment, if the EEC is to weather the difficulties posed by diminished oil supplies.

This is the gloomy prognosis offered by M. Francois-Xavier Ortoli, the EEC Economics Commissioner, in a paper which seeks to chart the development of economic policies in the Community over the next 10 years. The paper will be submitted to Common Market leaders when they meet in Strasbourg tomorrow.

Central to M. Ortoli's argument is the assumption that energy supplies will remain scarce for years to come. He

estimates that at recent growth rates, the EEC's energy consumption in 1990 will be more than 50 per cent above the level this year, and that OPEC oil production would have doubled over the same period to sustain the current rate of increase in total world demand.

It is unlikely that the needed oil supplies will be forthcoming. Europe must therefore seek new ways of promoting stable economic growth which are less energy-dependent, while channelling more resources into sectors which will strengthen its export performance on what are likely to be increasingly competitive world markets.

It emphasises that such growth must also be non-inflationary if the EEC is to remain competitive. "That implies the pursuit of rigorous economic

policies which ensure that prices are kept under control, a limitation of the increase in real income and currency stability."

Governments must be prepared to intervene more extensively to create the necessary investments because these may not initially appear profitable enough to attract private capital. The paper offers no novel suggestions for the sectors to be developed, beyond saying that they should be technologically advanced, rely on highly specialised labour and consume few raw materials.

The process envisaged in the paper will be possible only if entrenched resistance to technological change is overcome and all sections of society are encouraged to participate. But

M. Ortoli suggests that unemployment is likely to rise nonetheless, and urges that governments cushion the impact by stepping up spending on some social services and taking other measures to ensure that sacrifices are equally shared.

The resources available for such spending will, however, be limited both by the need to make more funds available for investment and by constraints imposed by the continuing rise in the average age of the population in most European countries. This phenomenon will mean that the cost of assisting elderly and retired people will grow, but that the working population that will generate the revenue needed to finance such spending will shrink.

## UK bid to curb farm imports from EEC

By MARGARET VAN HATTEM IN LUXEMBOURG

BRITAIN'S small farming sector should be encouraged to expand while other EEC farmers must cut back their production. That, in a nutshell, is Britain's strategy in the current farm price negotiations as clarified yesterday by Mr. Peter Walker, the British Agriculture Minister.

The immediate effects of the 5 per cent "green pound" devaluation which he is seeking will be to shift the cost of maintaining high EEC support prices from the Community budget to the British consumer.

Initially, this will mean an outflow of funds from the UK to its EEC partners in the form of higher food import prices, which would more than offset any reduction in Britain's net contribution to the EEC budget.

However, the UK Government hopes that its farmers will respond to their price increases by expanding production, eventually reducing the share

of the UK market currently held by other EEC producers.

Meanwhile, the higher food prices will add to inflation. Mr. Walker estimates that the 5 per cent devaluation will add only 0.25 per cent to the retail price index. The cumulative effect of this, together with the 5 per cent devaluation approved in March, the further 5 per cent devaluation sought for 1980-81 and the inflationary measures contained in last week's budget, will be much more. But Mr. Walker considers the extra burden on the British consumer will not be excessive.

The British line should come as no surprise to anyone familiar with the White Paper on agriculture, published last year. Nevertheless, it has disappointed those EEC states who had hoped for a more conciliatory line from the Conservative government.

For the time being, the other eight appear to regard Mr. Walker's demands as potential levers for gaining concessions in other areas, such as prices, milk tax and sugar subsidies. France, for example, is still pushing for a 2.3 per cent overall price rise, and many member states are determined to water down the Commission's proposal for taxing milk production and cutting sugar subsidies. Thus, they do not wish to grant Britain its devaluation before the overall package is agreed.

After almost two days of talks, a settlement looks as remote as ever. Mr. Finn Olav Gundelach, the EEC Farm Commissioner, concluded a series of exploratory bilateral talks with the nine Ministers yesterday afternoon and was expected later in the evening to give his assessment of how the outstanding differences might be bridged.

But few in Luxembourg hold out hopes of a settlement this week and some see little chance

of an agreement before September, if then.

So far, West Germany appears to be in the strongest bargaining position since it has put forward no demands and appears to want little more than to be left alone. For the first time in years, it is not pushing for price rises, possibly because of a rising tide of domestic sentiment against the generous tax concession enjoyed by the country's farmers, who receive the highest prices in the Community. Boosting prices might fuel public indignation even more.

However, West Germans are under pressure from the French, who are anxious to reduce the gap between their own and West German prices. They accept that the only way to do this is to freeze West German national prices and raise Community support prices, thus cutting the subsidies on West German farm exports.

The WEU assembly, he added, was the only forum where MPs of European countries could debate defence matters. There was nothing in the Rome Treaty which allowed the European Parliament "to dabble in any shape or form in defence matters."

In a debate on armaments policy, Mr. Kenneth Warren, Tory MP for Hastings, said the Soviet Union had achieved "a major military advantage" in the SALT II agreement signed in Vienna.

He warned of "the terrible threat" which Europe had to face in the form of the Soviet SS-20 missile, "which was neatly excluded by the Russians from the Vienna treaty."

However, plans for a full discussion in the WEU Assembly of SALT II and the prospects for SALT III, scheduled for Thursday, appear almost certain to be shelved because of the controversial nature of the subject.

## Socialists oppose defence policy shift

By Our Paris Staff

BRITISH LABOUR MPs succeeded in quashing a recommendation made here yesterday for the Community institutions to assume responsibility for defence policies. The recommendation was made in a report to the mid-year assembly of the Western European Union, which groups MPs from seven countries.

Labour MPs were backed by West German Social Democrats and other members of the Socialist group in opposing the motion, which urged the WEU Council to study ways of including the organisation in an EEC foreign and defence policy framework.

Mr. Thomas Urvén, Labour MP for Houghton-le-Spring, said it would be "a very dangerous path indeed" for European countries to try to delegate the responsibility now held by NATO to the European Parliament.

The WEU assembly, he added, was the only forum where MPs of European countries could debate defence matters. There was nothing in the Rome Treaty which allowed the European Parliament "to dabble in any shape or form in defence matters."

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## AMERICAN NEWS

## Russians test Carter on Backfire

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

SENIOR White House officials believe that President Brezhnev was testing President Carter's resolve in the one genuinely expected part of the Vienna summit—the exchange of the Russian Backfire bomber.

Not surprisingly, Mr. Carter's aides are claiming that the President passed the Russian test with flying colours. Their version of events must also be seen in the context of the upcoming Senate ratification debate, in which the status of the Backfire and the credibility of Russian promises neither to change its production nor to expand its production are likely to be a significant issue.

As reconstructed by U.S. participants in the Vienna talks, the Carter-Brezhnev dialogue over the Backfire on Saturday afternoon departed from its prepared script. Mr. Brezhnev was supposed to read and hand to Mr. Carter a statement on the Backfire which, among other

things, would say that the production of the Backfire, which is excluded from the SALT II treaty, would not exceed its present rate of 30 aircraft a year.

But Mr. Brezhnev omitted reference to the precise numbers, prompting Mr. Carter not to accept the statement offered to him by the Soviet leader. Mr. Carter tried to press the Soviet side further, but without immediate success.

On the following morning, before the summit moved on to other topics, Mr. Carter again insisted that there be a specific Soviet commitment on Backfire production, but again had no instant response. After some discussion among the Russians, (which one U.S. observer said, "seemed like an eternity but was probably only five to ten minutes.") Mr. Brezhnev threw his hands in the air and committed the Soviet Union not to produce more than 30 Backfires a year.

But the strength of this pledge is still being questioned here. In publishing all the SALT documents, the U.S. has included the specific Soviet statement on the Backfire, covering both the production rate and the Soviet promise not to give the aircraft intercontinental attack capabilities. But the Russian version of the documents makes no mention of the Backfire issue.

In the U.S. view, the agreed Backfire statement is conclusive. In it, Mr. Carter notes that if the Soviet commitments are not met, the U.S. will consider this to be a violation of the SALT treaty itself and grounds for its abrogation.

Moreover, although there is an admitted disagreement over whether the Backfire, with refuelling, say, in Cuba already possesses intercontinental capability, some U.S. officials believe that the aircraft does not pose a particular threat to the U.S.

In tactical terms, the White House clearly considers it important to convey the impression that Mr. Carter was neither awed by nor hoodwinked by the ailing Russian President. Mr. Carter himself sought to reinforce this in his speech to a joint session of Congress on Monday night immediately on returning from Vienna, in which he drew the warmest applause of an otherwise lukewarm reception when he said he had told Mr. Brezhnev bluntly that continuation of Soviet-sponsored Cuban intervention in Africa and elsewhere could only harm Soviet-American relations.

In the American view, Mr. Brezhnev, for all his physical debility, showed himself indubitably in charge of the Soviet delegation in Vienna. His most active assistants were Mr. Andrei Gromyko, the Foreign Minister, Marshal Dmitri Ustinov, the Defence Minister, Mr. Nikolai Ogarkov, the armed forces chief.

## Arab fund to halt investment in Canada

By James Baxton

THE Arab Monetary Fund (AMF) which functions on the lines of the IMF for Arab states, has said it will stop all financial dealings with Canada, in protest at the Canadian Government's election promise to move the Canadian embassy in Israel from Tel Aviv to Jerusalem.

However, the AMF's announcement, the first firm evidence of Arab sanctions against Canada, will have no effect. A political decision of this kind has to be ratified by the AMF's parent body, the Arab League. The AMF's capital, which is not lent to member states, amounts to about \$200m, but of this less than \$1m is believed to be in Canadian dollar bonds.

Dr. Jawad Hashem, the AMF's president and an Iraqi, told Reuters yesterday: "No more deposits will be placed with Canadian banks, whether they are offshore banks in Bahrain, on the Euro-market or anywhere else." The AMF would have no foreign exchange dealings with Canadian financial institutions, nor would it trade in Canadian bonds.

There have been reports that certain Canadian contracts with Saudi Arabia and Libya may be in danger because of the plan to move the embassy.

AP-DJ adds from Ottawa: The reports of the fund's decision prompted a drop in the Canadian dollar. In early Toronto trading the Canadian currency fell to a low of \$4.72 U.S. cents before partially recovering to about \$4.83 cents, its lowest level since early March.

**Tories win in Newfoundland**  
By Victor Mackie in Ottawa

THE PROGRESSIVE Conservatives swamped the Liberals in the Newfoundland election on Monday, returning to power with an increased majority under Mr. Brian Peckford, the Prime Minister.

Mr. Peckford's touch "Newfoundland for Newfoundlanders" slogan won resounding support in the province's 19th general election since Confederation, giving the Conservatives 33 seats to the Liberals 19.

## OAS states disagree on Nicaragua intervention

BY HUGH O'SHAUGHNESSY

AS THE Government of General Anastasio Somoza in Nicaragua comes under increasing pressure from Sandinista guerrillas, a major diplomatic row is breaking out over military intervention in the conflict.

The Organization of American States is due to meet today or tomorrow to consider setting up an inter-American peace-keeping force which would separate the contending in Nicaragua.

It is understood that the U.S. favours the idea, as it looks with mistrust on the Sandinistas and would like to prevent the possibility of them taking over in Nicaragua.

The move has, however, been attacked by members of the Provisional Government Council, which was set up by the anti-Somoza forces in Costa Rica on Saturday.

Diplomatic observers feel that it might be difficult to get an intervention force together. Brazil and neighbouring central American states have hinted that they would not want to participate.

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# WE DEMAND MORE.

When the first Volvo was born in 1927, Sweden had terrible roads and a nordic climate.

The weather never changed.

Which is all for the best because Volvo has thrived on such demands.

The durability, the reliability and the safety of our cars became famous the world over.

For example, we were the first to put seat belts in every car (in 1959, years before the law demanded them). A little later, we introduced the adjustable lumbar support seat.

We also invented a triangular braking system which retains 80% of its efficiency even if only one circuit is working.

And we built every Volvo round a rigid safety cage of box steel pillars, with each weld able to support the weight of the entire car.

You might assume that such excellence would demand the highest price.

However, it could be the one area where we fall below your expectations.



# WE ASK LESS.

Volvo 244DL	£ 5852
Audi 100L 5S	£ 6166
Rover 2300	£ 6384
Ford Granada 2.3GL	£ 6838
BMW 520	£ 7772
Mercedes 200	£ 7822

(Prices are for manual versions including car tax and VAT at the current rate. Correct at time of going to press.)

## 2 OVERSEAS NEWS

ANDREW CLARK, in Sydney, examines the scandal which has shaken Australia's police

## Murder—and the 'Golden Triangle'

AUSTRALIA, a country which takes pride in a relatively clean system of government, has been rocked by a scandal in its federal and state police forces recently. Two weeks ago, the commissioner of the New South Wales police, and the head of the Federal Narcotics Bureau, both resigned, although the latter returned to his job three days later. The resignations are officially unconnected, but both followed allegations of widespread corruption in each force.

The commissioner, Mr. Murray Wood, left suddenly following the circulation in Sydney of an unsigned document containing allegations of state police involvement in protection rackets, drug trafficking, armed hold-ups, and Sydney's vast network of off-licence status police bookmakers.

Following Mr. Wood's resignation, the New South Wales Premier, Mr. Neville Wren, announced an inquiry into the state police force, and put its appointment of a permanent commissioner for another six months. Mr. Wood labelled statements in the document as a "load of rubbish," and said he resigned because he was "most concerned with the effects such allegations have on the morale, loyalty and discipline of the force."

The head of the Narcotics Bureau, Mr. Harvey Bates, resigned after the federal government announced an internal police inquiry into the bureau following the murder of two members of a large drug

trafficking ring, a New Zealand couple, and the revelation that, a year ago, the bureau had warned members of the bureau and other police that the drug ring was receiving constant offers from a member of Bates' own bureau.

After three days of intense private discussions with his wife, Bates returned to his job. The resignations are officially unconnected, but both followed allegations of widespread corruption in each force.

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couple warned of the leak a year ago after they were picked up by police in Brisbane. Police believe that after the couple had "sung," the bureau informant told the drug ring, and they were murdered. Police say the ring is responsible for at least five other, and possibly more, murders over the last year.

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contributing to the country's balance of payments problems. Some welfare officials claim that there are now as many as 70,000 heroin addicts in Australia, although these claims are disputed by other observers.

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## Muzorewa has talks in Pretoria

BY QUINN PAT IN JOHANNESBURG

THE ZIMBABWE Rhodesian Government last night officially confirmed that Bishop Abel Muzorewa, the Prime Minister, had visited South Africa at the weekend for talks on "matters of mutual concern."

Although there was no comment from the South African Government on the meeting, the fact that the Bishop had been in the country since he became Prime Minister, observers here see it as being the first contact on the whole range of defence and economic issues which link the two countries.

Bishop Muzorewa met both Mr. P. W. Botha, the Prime Minister, and Mr. Fik Botha, the Foreign Minister in Pretoria. It is believed that General Magnus Malan, the chief of the South African Defence Force, would also have attended the talks.

Mr. Fik Botha was leaving South Africa last night for his meeting in London today with Lord Carrington, the British Foreign Secretary, and will now be in a position to draw on the latest Rhodesian Government thinking for the talks.

## Iran denies claims of reductions in its oil exports

BY ANDREW WHITLEY IN TEHRAN

IRAN has accused "western organisations" of trying to divert attention from a possible oil-price increase at next week's ministerial conference of the Organisation of Petroleum Exporting Countries in Geneva, by pretending that all economic disorders result from higher oil prices.

Mr. Hassan Nasiri, the National Iranian Oil Company spokesman, speaking yesterday against the background of reports among international oil officials that Iran is exporting substantially less than the 3.1m b/d it claims as the current average.

The NIOC chairman denied any decline in Iranian oil production. Referring to allegations abroad of worker trouble in the oilfields, he said NIOC employees had never suggested a production cut. They had only asked for better terms of service.

It was the second formal denial this month from Mr. Nasiri that Iran was falsifying its published oil statistics. The issue has a strong bearing on the calculations of the OPEC ministers when they consider further rises in oil exporting "cartel" prices.

As one western diplomat said yesterday, "there is no way of being able to determine exactly what is flowing unless you go down to the wells with a gauge."

On Monday, Mr. James Lea, the chairman of Gulf Oil, complained about an enforced cut in his company's holdings from Iran of 18.4 per cent, it brought

Gulf's offshore down to 135,000 b/d.

NIOC is in fact in the middle of its second round of cuts in agreed sales volumes with the 55 or so foreign oil companies it has signed contracts with since early March. The first cut averaged 25 per cent and the second 15 per cent.

Oil industry officials say that only the Western and Japanese companies, purchasing larger quantities of Iranian crude, over about 50-60,000 b/d, have been affected by the second round. Some companies have attempted to resist the requested full reduction and State purchasing organisations, such as Japan's Petrobras, are understandably nervous that they might also be compelled to accept a "voluntary cut."

The latest figures released by NIOC for June 1, showed a total production of 3,574m barrels that day, with 3,044m barrels available for export, thought some of the latter may be being stockpiled.

Form contracts with NIOC only total approximately 2.5m b/d, which would leave an exceptionally high 50 per cent of Iran's oil exports for sale on the "spot" market, at rates approaching \$40 a barrel.

Recent talks from Tehran have staged manoeuvres over the border with Iraq, the official PARS news agency said—the latest sign of military tension between the two Middle Eastern neighbours.

## "THEIR CREDIT INFORMATION IS ABSOLUTELY RED HOT"

—says James Corcoran, Managing Director of Adamson Containers Ltd. of Stockport whose exports to the major shipping countries of the world were running at £6.4m in 1978.

"The shipping container industry is still growing rapidly, and it won't level off for another 10 years in my opinion."

"So, with new overseas customers coming into the field all the time, a good credit rating information service is invaluable."

"And that's one of the things that impresses

us about ECGD. Even if you're selling to people for cash or on letter of credit, it's good to know how sound they are."

"We also like our person-to-person relationship with ECGD. If an urgent problem arises, we can talk direct to their underwriters at the Regional Office."

"Finally, of course, in a competitive business where payment terms are vital, we'd be sunk without the access to cheap medium-term bank finance that an ECGD policy gives you. Naturally, we always want a bit more than they're prepared to give, but let's face it, you'd have to go a long way to find anything like it."

## Ghana has lost its way, says Rawlings

BY MARK WEBSTER

GHANA urgently needs its senior officers displaced during the military coup two weeks ago, to return to their duties, Mr. Jerry Rawlings, chairman of the Armed Forces Revolutionary Council, said in an interview with the Financial Times.

The country had "lost direction," Mr. Rawlings added. Many senior officers had been badly mismanaged by their soldiers during the coup which toppled the former military Government of Gen. Fred Akuffo.

"We are having problems about direction because we need some of our senior officers to come back. It's a question of making the ranks understand that you don't accept a man because you like him or dislike him personally. You accept him because you respect him."

The young Air Force pilot was rocketed to fame two weeks ago when he was released from prison by fellow military men. He had been due to stand trial for an alleged coup attempt which failed.

As chairman of the AFRC, he has declared a war on the corruption rampant in both civilian and military life in Ghana.

He fosters an air of casual informality as he relaxes in his chair at the Commanding Officer's headquarters in the centre of the sprawling Burma Military Camp on the outskirts of Accra.

Looking like a scaled-down version of John Conter, he leans back in his chair with a sten gun resting against the wastepaper basket at his side.

His look is intense and his manner a little theatrical as he talks, glaring hard at anyone he addresses.

"Although cautious in what he says, he gives many clues to the differences of opinion known to exist between himself and other more 'hawkish' members of the AFRC."

The main issue known to divide them is whether more concessions should be offered out to officers and civilians known to have used their positions corruptly under former regimes.

Last Saturday's execution of the former Head of State, Gen. Ignatius Acheampong, along

with a member of his Military Government, deeply shocked Ghanaians.

"I'm sincerely hoping that there won't be the need to do that again, since spilling blood has never been a part of us," Mr. Rawlings went on.

The executions had been carried out to satisfy the wishes of both military and civilian. "We hope it will serve as a warning to any future Government."

The AFRC had not formed any specific programme to deal with the extremely poor economic situation.

It preferred to concentrate on rooting out corruption, leaving the process of reconstruction to the civilian Government which should be installed on or before October 1, Mr. Rawlings added.

He and all the other soldiers who had taken part in the coup would return to their old jobs since the new civilian Government must take control. They would not award themselves any promotion or pay rise while they were in power.

Mr. Victor Awusu, a lawyer running for the Presidency of Ghana, took a substantial lead yesterday in early results in the country's first General Election for seven years, Accra Radio reported.

He had polled 38,382 votes, the radio said, in second place with 32,961 votes was Dr. Hilla Limann, representing the Peoples National Party.

## Israeli fighter-jets buzz South Lebanon again

BY ISHAK HAZZI IN BEIRUT

Israeli fighter-jets buzzed South Lebanon from the end to the other yesterday, while its gunboats patrolled Lebanese territorial waters, from the Israeli coast to the Port of Sidon, the State-controlled Radio Lebanon said.

During the night, the boats fired flares into the sky over the port of Tyre and neighbouring areas, which Israeli fighters raised on Monday. Killing three people and wounding 11 others, including four children.

Lebanese officials and the Palestine Liberation Organisation said the Israeli action was unprovoked and came only a few days after the UN Security Council urged Israel to discontinue incursions and attacks into Lebanon.

Meanwhile, the stationing of about 1,000 regular soldiers in Beirut's Christian suburbs of Ain El-Rummaneh and Fura El-Chebbak has been widely ac-

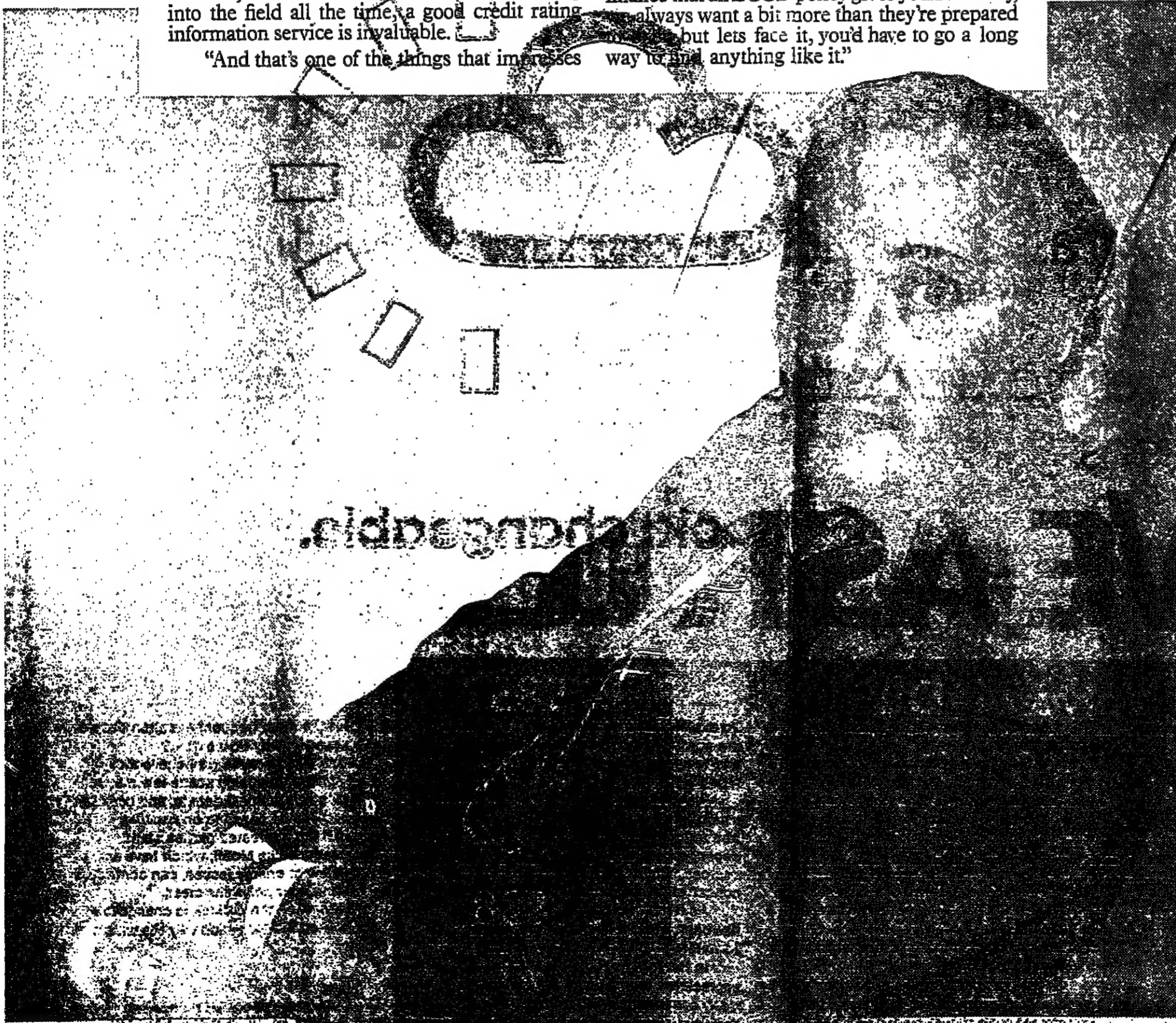
claimed.

It is seen as a major step in consolidating the power of the Government of President Elias Sarkis.

The Israelis said Tuesday's action was aimed against Palestinian guerrilla targets, but the casualties were all Lebanese and Palestinian civilians, according to Lebanese politicians. The raid was an outright defiance of the UN, they added.

David Levanon told Radio Tel Aviv, Israeli troops forcibly prevented West Bank Palestinians from holding a meeting in Hebron yesterday. The meeting was in protest against attempts by Jewish extremists to take over buildings in the Arab town.

Israeli, Egyptian and American officials met in Herzliya, north of Tel Aviv, yesterday, to discuss the agenda for talks on autonomy in the West Bank and Gaza Strip.



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SHIPPING CONFERENCE

End of flags of convenience predicted

By IAN HARGREAVES, SHIPPING CORRESPONDENT

Flags of convenience will disappear, along with the domination of world maritime trade by a small group of countries, within the next 20 years.

This was the forecast made yesterday by Mr. Adil Al-Jadir, Director of the shipping division of the United Nations Conference on Trade and Development (UNCTAD).

Mr. Al-Jadir, speaking in London to a conference organised by the British Shippers' Council, said that the end of developed countries' back a large part of the world's shipping at last

month's UNCTAD meeting in Manila would not deflect the developing world from its ambitions.

Developing countries were prepared to proceed by inter-shiping.

Mr. Al-Jadir said the agreement by the established shipping countries to a cargo-sharing convention for liner shipping was recognition of the justification of UNCTAD's shipping strategy.

This was to raise the share of the world fleet owned in developing countries from its present 8.6 per cent and their share of bulk fleets from 7 per cent.

The growth of open registry, or flag of convenience shipping, where shipowners from the developed countries used flags and labour from the developing world, was undoubtedly hindering progress.

He said that an UNCTAD

Aluminium Bahrain management contracts

By Mary Frings in Bahrain

ALUMINIUM BAHRAIN has awarded project management contracts to Kaiser Engineers of the U.S. and Ewbank and Partners of the U.K. for the \$120m plant expansion which will boost production capacity to 165,000 tonnes per year. Last month, a contract worth around \$800,000 was awarded to the Norwegian company, Andel og Samdal Verk, for the supply of process technology.

No value has been placed on the management contracts and it is understood that final details are still being worked out. Kaiser Engineers won the award over three competitors, one American and two British, Mr. Yousuf Shirew, the Bahrain Minister for Development and Industry, told the Financial Times. The contract is for design, procurement and management services for the pot room expansion. Ewbank and Partners will be responsible for the power house extension which will increase generating capacity by 90 MW.

The first of two new pot rooms, housing 182 reduction cells, is expected to be on line by the first quarter of 1981 and the second seven or eight months later.

SOUTH AFRICA TRADE BALANCE

Gold helps S. Africa reach record surplus

By QUENTIN FEELE in JOHANNESBURG

THE RAPID rise in the price of gold and other minerals, coinciding with a dramatic reduction in oil imports, produced a record current account surplus for South Africa in the first quarter of the year, totalling R106bn (R22m).

According to the latest quarterly bulletin of the South African Reserve Bank, the equivalent annual surplus would be R25bn compared with last year's total of R14bn. But much of the current surplus was offset by a further substantial outflow of capital.

The value of net gold output, at a seasonally adjusted annual rate, increased from R44bn to R51bn reflecting not only the gold price rise to an average of \$338.24 for the quarter, compared with \$218.55 in the previous quarter, but also a moderate rise in volume.

Detailed figures for South Africa's oil imports are not provided because of their strategic significance, but Mr. Chris Hennis, the Minister of Economic Affairs, admitted recently that they were 40 per cent down on the previous quarter. The Reserve Bank simply refers to a "substantial decrease."

The value of merchandise exports, excluding gold, actually declined slightly from an annual rate of R22bn to R21bn in the latest quarter. The change was the net result of a substantial decline in real exports, almost entirely offset by a substantial increase in export prices. Thus, volumes of copper, oil, fresh fruit, chrome ore and wool declined, while prices of platinum, copper, iron and steel products, ferro-chrome, ferro-manganese and fruit all increased substantially.

Apart from oil imports, those of machinery, electrical goods and transport equipment were substantially down, and imports of base metals, textiles and paper products decreased moderately. Overall, merchandise imports fell from an annual rate of R29bn in the last quarter of 1978 to R20.4bn in the first quarter of 1979.

The extent of the record surplus is not reflected in any dramatic improvement in the gold and foreign exchange reserves, because of a continuing outflow of capital, both long and short-term. The net outflow in the first quarter amounted to R45m, compared with R14m in the previous first quarter.

Although the outflow of short-term capital, including unrecorded transactions of R68m may disguise a continuing flight of capital from a politically sensitive area, it is not thought to be significant. The Reserve Bank identifies repayments of short-term borrowing originally made to bolster the reserves, a decline in trade credit mirroring the drop in imports, and switching in trade finance to domestic sources as significant factors.

On the long-term account, the total outflow of R207m was caused by several elements. These included repayments of foreign loans by the Central Government, a net outflow from the private sector influenced by net sales of foreign-owned securities on the Johannesburg Stock Exchange, and a reduction in the net borrowing by public corporations.

The net result of the current account surplus and capital outflow was an increase of R13m in net gold and foreign reserves, and the Reserve Bank reports that all short-term borrowing to bolster the reserves had been repaid by the end of April.

OECD oil imports seen reaching 37m b/d by 1985

FINANCIAL TIMES REPORTER

EXPORTS OF crude oil by the major industrial countries will rise from their present level of around 30.5m barrels per day to 37m b/d in 1985 and 42.3m b/d by 1990, according to Economic Models, the London-based economic forecasting group.

The forecast assumes an average rate of growth of Gross National Product within the member-countries of the Organisation for Economic Co-operation and Development over the next 12 years of around 3.5 per cent.

Economic Models' believes that a major factor in this rise in imports will be the rapid rise of net oil imports to the U.S. from a present net of 9m b/d to 11.8m b/d in 1985 and 13.3m b/d in 1990. An assumption is made in this forecast that the Organisation of Petroleum Exporting Countries will be willing to increase production to 45m b/d by 1990.

Under these circumstances, Economic Models forecasts that the price of oil, predicted to rise 30 per cent this year, will rise at average rates of between 7 and 12 per cent annually at current prices to a price of \$45.33 a barrel by 1990. It stresses that at no point will a price increase be less than a 6 per cent rate of inflation.

In order to stimulate the ability that the OPEC countries will restrict supply, likely to the present level, in 1980-1981. Economic Models' forecast assumes that the effects of a rise in the price of

oil, at current prices of 30 per cent, each year in 1979, 1980 and 1981. The result in this change of assumption is that net oil imports into OECD countries would fall to 29.2 m/b/d in 1985 and to 23 m/b/d in 1990.

Economic Models says that this saving of about 10 m/b/d compared with its basic forecast is an indication of the sensitivity of oil demand to price changes over a period of time. The effect arises partly from direct substitution with other forms of fuel and partly because the price rise itself will itself reduce GNP over the period.

The third assumption by Economic Models assumes that the OECD countries' growth rates rise from a weighted average of 3.5 per cent to 4.5 per cent from 1980 onwards. The effect of this assumption would be that by 1980, net oil imports into the OECD will increase by an extra 10 m/b/d to over 39 m/b/d, a rate of demand which is highly unlikely to be satisfied by the oil producers.

Two conclusions are drawn by Economic Models from its analysis: first, that the rate of growth of the OECD is likely to be constrained to a maximum of around 3.5 per cent by the supply of oil for the next ten years; and second, the demand for oil over that period will be significantly affected by its price. This price will be determined either by the OPEC producing countries or through taxation policies by the consumer countries.

The UK, says Economic Models, is in a particularly favourable position because of its well balanced industrial economy.

Danish gas plan finalised

By MELARY RANNE in COPENHAGEN

THE Rø 4.5bn (\$1.1bn) project to land Danish North Sea gas and distribute it to between 400,000 and 600,000 households in the main urban areas received the final go-ahead yesterday when Mr. Arne Christiansen, Minister of Commerce, signed contracts on the Government's behalf with the State's own oil and gas distribution company.

The first stage of the project involves the distribution of 55bn cubic metres of gas over a 25-year period from 1984, but

the first gas deliveries to consumers will begin in 1983 with gas supplied by Ruhrgas, West Germany.

It is expected that tenders for the main pipeline, treatment plants and compressors will be invited later this year or early next year.

The gas will be supplied from fields discovered by the Danish Underground Consortium, which has exclusive rights to exploration for and production of hydrocarbons in the Danish sector of the North Sea.

Delay in China steelworks order for W. Germany

By JONATHAN CAKE in BONN

THE WEST GERMAN consortium hoping for contracts from a Chinese to build an extensive integrated steel works in Hubei province is now unlikely to receive firm orders before next year.

Furthermore, the total value of the entire project may turn out to be less than the DM 28bn (Rm) suggested when the respective deal was first announced in October last year.

The company leading the consortium, Schloemann-Siemag of Dortmund, insists there is no sound for exaggerated pessimism about the future of China — just as excessive optimism last year was similarly misplaced.

The West Germans have submitted their project study to a Chinese and still seem hopeful of substantial business — although the British are known to be among other bidders for the Hubei project. However, it appears the deal is by one of those affected by

the revised emphasis in Chinese economic development plans mentioned by Premier Hua Guofeng only this week.

Originally the West Germans hoped that firm orders might have been received this year. And while the total extent of the Hubei work may not be cut back, it is now held possible that the high technological input may be less than first envisaged, bringing a lower overall bill.

Although this major project is still pending, Schloemann-Siemag, one of the world's leading manufacturers of heavy rolling mills, has just released figures indicating its other business remains buoyant.

Turnover for the year ending June 30 is expected to be around DM 480m against DM 450m in 1977-78, while the orders intake, not counting subsidiaries, will total about DM 700m against DM 661m the year before. The total value of orders in hand is about DM 2bn, slightly up on the figure a year ago.

GKN-E. Germany in talks on £540m truck project

By LESLIE GOUTT in BERLIN

THE CHAIRMAN of Guest-Keen-Id. Nettelbladt (GKN), Sir Archie Heath, has had two days' talks with East German economic officials on East Germany's plans to modernise its truck industry. The project to build and equip new factories at Ludwigsdorf and provide centres for a new range of trucks is estimated to be worth £540m.

Sir Archie had talks with Dr. Gerhard Bell, State Secretary for Foreign Trade, and with East German industry officials on the GKN project to build a £190m out-of-wheel drive transmission plant at Zwickau and the French are prepared to take a far greater percentage of the factory's output at payment.

East German officials remarked at the time, though, that GKN did not appear to be much interested in the project.

This time, the presence of GKN's chairman in East Berlin meant to emphasise GKN's seriousness about the project. Peugeot-Citroen has also been asked to submit offers on this project along with Fiat. Volvo, too, has had talks with the East Germans, but it is not known if the Swedish company is in a position to bid on the entire project.

Sig. Nicola Tufarelli, Fiat's general manager, was recently in East Berlin for talks with Dr. Bell, and an East German statement issued afterwards spoke of the truck project as being based on the "principle of compensation," meaning that back of the factory's output of components or trucks.

UK trade with the East Germany badly needs the boost that would be given by such a major deal. UK company representatives speak of a growing feeling that it is hardly worth while submitting offers to the East Germans.

In the first four months of this year, Britain's exports to East Germany rose to £19.5m compared with £17.2m in the same period last year.

Imports from East Germany rose to £36.1m compared with £29.6m in 1978. In some months of the year, however, East German purchases of non-ferrous metals on the London Metal Exchange make up a considerable proportion of UK exports, and these figures are not yet available.

The UK and East German officials said in 1975 that they hoped mutual trade would double to £300m by 1990. Mutual trade last year, however, fell to £125m.

No offence to the Met Office, but weather forecasting isn't the most reliable science in the world. And no disrespect to our own planning department, but the oil industry has much the same kind of problem: about the only prospect we can forecast with absolute confidence is change. But what change? And how fast?

In the twelve weeks since Mobil launched its current series of advertisements we've seen a succession of major changes, particularly on the energy scene; and inevitably a change in the issues which most concern people.

So, although this series set out to discuss the issues surrounding a major investment project, we've tried as well to deal with current events as they arose.

To explain, for example, why oil companies are now having to limit their deliveries, and to show you really profits from rising oil prices.

We've talked about energy costs — which are rising and will continue to rise. About the need to switch from over-dependence on oil to alternative energy sources. About the need to become more conservation-conscious.

As it's turned out, the whole series has been about responding to change — something industry has always had to do.

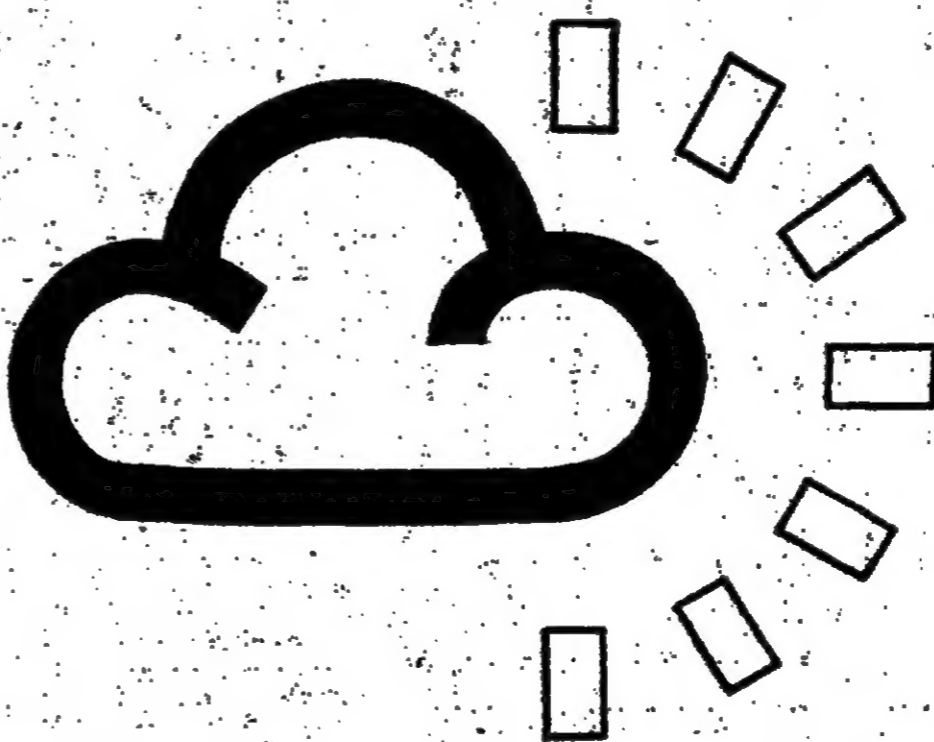
In the main, people seem to have appreciated the effort. We've had a great many comments, often from readers who don't necessarily accept an oil company's version of events as gospel.

But the most frequent question people have asked is: why do we do it?

Basically, because we believe today's rapidly-changing energy scene is a matter for public and political debate; and because informed debate depends on knowing where all the interested parties stand. Organisations like Mobil, which have an inside view of energy issues, can contribute by making their positions clear.

Even when the outlook is changeable, people like to know which way the wind's blowing.

This is the last of a series on oil and business today. If you would like a reprint of the series, please write to: General Manager Public Affairs, Mobil Oil Company Ltd, 5480 Victoria Street, London SW1E 6QB.



Outlook: changeable.

Mobil

## UK NEWS

## Foreign bid for British Tissues

BY NICK GARNETT AND MAX WILKINSON

A FOREIGN company has begun negotiations for the takeover of British Tissues, one of the big three UK tissue manufacturers.

A spokesman for Wiggins Teape, a major shareholder in British Tissues, said: "Talks are taking place with a third party about the future of British Tissues, but they are at an early stage for us to be able to say anything about them."

The talks are thought to be with a pulp and paper manufacturer, probably American. British Tissues was founded 13 years ago by four UK paper-making groups to compete with Kimberly-Clark and Bowater-Scaut. Neither of these two Anglo-American companies is thought to be involved in the talks.

Two of the partners, Inveresk and Peter Dixon and Son (Holdings), sold out their shares in 1973 to two of the largest Finnish papermaking groups, Nokia and G. A. Serlachius.

Each of the Finnish companies took 25 per cent while the remaining 50 per cent was held by Associated British Tissues, jointly owned by Wiggins Teape and Smith and Nephew Associated.

The profitability of British Tissues has been poor, mainly because of the highly competitive market. Last year's sales were £48m, but the company did not disclose profits. Cheap imports, particularly from Spain, have depressed the market.

The Finnish partners have been disturbed by the company's performance. Nokia said recently it would aim to make British Tissues "a more active company, otherwise it is not interesting to us."

Union officials said yesterday that they were deeply concerned that they had not been consulted on the talks. The General and Municipal Workers' Union has already warned of industrial action unless the company begins consultations.

Mr. Maurice Reed, national officer of MATSA, the white-collar section of the G.M.W.U. said, he believed the negotiations were well advanced with the probability of an agreement by next month.

## Leisure group gives perks to shareholders

FINANCIAL TIMES REPORTER

BARR AND Wallace Arnold Trust, the leisure, motor and computer bureau concern, is the latest company to offer perks to its shareholders.

It will give those with more than 250 shares a 7 per cent discount on package holidays, a five per cent discount on hotels and 10 per cent off new cars, it said yesterday.

The reductions, which will not be open to institutional holders, will be available from the group's Leeds, Poignion and London based tour operators, its Torquay and Morayshire hotels and motor dealers in Leeds, Bradford, Nottingham, Dumbarton, Glasgow and Motherwell.

According to one firm of stockbrokers, between 40 and 50 companies provide shareholders with some kind of reward besides a dividend.

Many of these schemes, which grew up as a response to dividend restraint, could well disappear now that controls are to be lifted at the end of next month.

Barr and Wallace Arnold says its scheme was planned before the general election but it decided to press ahead in spite of the change of government.

## Talks on Kirkby assets sale

TALKS on the sale of the assets of the former Kirkby Manufacturing and Engineering's central heating radiator business in a U.S. concern may be reopened in a few days after a High Court hearing yesterday.

The hearing arose from action started by Harry Blumberg, the shareholders, over the ownership of two spent welding machines sold to Blumberg when Kirkby Manufacturing and stocks were put up for sale two weeks ago.

The unnamed U.S. concern expressed interest in restarting the co-op's business if it could acquire Blumberg's purchases. Myson bought the welding machines for £25,000, but would only start negotiating on their resale at their true value of £750,000.

The hearing was adjourned for two weeks.

## CBI urges tax boost for small companies

BY JAMES McDONALD

THE GOVERNMENT would encourage the creation of more small businesses and the expansion of existing small companies if it made it possible for them to earn as good a return from risk-bearing investment as from Government stock, the Confederation of British Industry said yesterday.

A paper from the CBI's Smaller Firms Council setting out for the new Government a "shopping list" of small business policy priorities tells the Chancellor of the Exchequer that the returns on risk-bearing investment should be improved by giving individuals greater equality of tax treatment compared with that given to Government stock.

Investors in unquoted companies should be given the ability to offset losses against personal income for tax purposes.

The paper, sent also to Sir Keith Joseph, the Industry Secretary, and Mr. James Prior, the Employment Secretary, calls for a qualifying period, preferably two years, but certainly one year, "instead of the present six months, before unfair dismissal claims can be lodged against employers."

Fifty-four per cent of the industrial companies in the CBI are small, employing fewer than 200 people.

Sir John Hedley, CBI president, in a covering letter to Sir Keith, says that the organisation welcomes the Government's commitment to the creation of a climate in which it will be easier for small companies—the backbone of British industry—to be started or expanded.

The CBI paper reflects concern that the small man in UK industry "is always the first to take on labour and thus out unemployment when there is an upturn in the economy" — is not getting a fair deal.

But it said: "We do not call for the creation of any separate organisation attached to or within government which is specifically charged with looking after smaller firms."

"Rather, we think that much more will be achieved if all Ministers and all departments constantly bear in mind the importance of and requirements of such firms."

To encourage executives and workpeople to have a clear stake in the success of their company, the Government, said the paper, should remove existing obstacles to the spread of share option and profit sharing schemes.

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## Sewer system 'needs £250m a year to prevent collapse'

BY PAUL TAYLOR

BRITAIN'S 19th-century sewer system is near to collapse and £250m a year must be spent if further decay is to be avoided, Mr. Dennis Clark, new president of the Institution of Municipal Engineers said yesterday.

Mr. Clark highlighted the state of sewers and roads in his presidential address at the start of the Institution's annual conference in Blackpool.

He said sewers are "crumbling" and roads are "gill" suffering from the aftermath of winter blizzards. But local authorities were faced with spending cuts which would "pose very serious problems."

The Institution has warned repeatedly that lack of money for highway maintenance is false economy and Mr. Clark said this applied with even more force to sewers where "dire consequences follow neglect."

If a sewer collapses, sewage either runs into rivers or floods streets and houses.

Mr. Clark said sewers in the North-West, built during the industrial revolution were particularly bad. In Manchester alone there were seven major sewer collapses at present one of which is costing £500,000 to repair.

"We need to spend over £250m a year to put our sewers in order after Mr. Clark. "The longer we delay the more serious and expensive the situation becomes."

He suggested that it might be necessary to spend £5bn on sewer repairs, replacement and maintenance over the next 20 years and he warned that central Government would have to foot some of the bill.

Calling for a re-examination of priorities Mr. Clark said the nation could not revert to an age "where sewage swells through our streets."

War On Want launched a magazine called Poverty and Power and took part in research and promotional campaigns which the commissioners said in their annual report, published yesterday, "lay outside the legitimate scope of the charitable field."

At a meeting with the commissioners the charity said it wanted to move away from the traditional forms of relief and to concentrate on overcoming the causes of poverty.

Oxfam was criticised for an article on land reform in the Third World which appeared in an Oxfam publication. The Commissioners said: "In our view the article was provocative and one-sided and came within the scope of political propaganda as defined by the courts."

Christian Aid Division was advised by the commissioners not to give undesignated grants to a World Council of Churches commission called Churches Participation in Development.

Mr. Brian Walker, director general of Oxfam, said: "We were surprised to hear that this friendly exchange of correspondence has been elevated into a Home Office statement singled out for release to the Press."

The commissioners reported that during 1978 3,506 charities were registered, including 1,743 new ones whose aims setting up refugees for battered wives, relief of other victims of violence and help for unemployed young people. The total number of charities now registered in England and Wales is 129,212.

Report of the Charity Commissioners for England and Wales. HMSO £1.35

He added, however, that they had to balance the desirability of increasing circulation against the increased costs of distribution into outlying parts of London. The Globe will rely heavily on agency news and sports and the contributions of freelance. It is to have a special insert for up to date sports news. The actress Fiona Richmond is to contribute a diary to the paper.

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## Britain may export more coal to Europe

By John Lloyd

PROSPECTS FOR increasing exports of coal from the UK to continental Europe are under discussion by the European Commission's economic and social committee, now meeting in London.

The energy section of the committee, which consists of representatives of industry, trade unions, and consumers from the nine member States, are meeting with National Coal Board officials during the three-day visit.

The meetings follow an agreement last month by Energy Ministers from member countries of the International Energy Agency, which includes most EEC countries, to burn more coal in power stations as the major step towards reducing dependency on imported oil.

The UK, which has by far the largest coal industry in the EEC producing much the cheapest coal, has most to gain from any arrangement to increase intra-European trading. The NCB has estimated that exports could rise to around 5m tonnes a year from their present level of just over 1m tonnes.

Founded While a subsidy scheme to help bring down European-produced coal to levels competitive with Polish and Australian coal has been discussed over the past two years by the EEC's energy ministers, the plans have been founded because the non-coal producing countries have demanded a "key" over UK refinery policy in return for agreeing to the subsidy.

Mr. Anthony Wedgwood Benn, the former Energy Minister, felt unable to agree to such an arrangement. However, Mr. Guido Brunner, the EEC Energy Commissioner, made it clear earlier this year that he meant to revise the plan. It seems more likely to succeed at a time when coal is a more attractive price than it has been over the past three years.

## Indicators point to summer boost for economy

By PETER RIDDELL, ECONOMICS CORRESPONDENT

A FURTHER pointer to the possibility of an upturn in the level of economic activity during the summer is provided by new official indicators published yesterday.

The index of shorter-leading indicators—looking ahead an average of about five months to turning points in the cycle of economic activity—rose sharply in April. This was the fifth monthly rise in a row and the index is now higher than at any time since 1973.

There was also a rise in the third month's earnings in the index which is intended to coincide with economic turning points.

All this supports other evidence—for instance retail sales—indicating that the economy is picking up since the winter. These figures have to be interpreted with a considerable degree of caution since the data are subject to revision.

The index of longer-leading indicators—looking ahead an average of 12 months to economic turning points—rose slightly during May, though it was at a lower level than during most of last year.

The small rise in this index over the past three months may be a slightly misleading guide to the level of activity in the late spring of next year. Most forecasters expect the economy to be fairly sluggish then.

Indeed, the fall in stock market prices and the rise in short-term interest rates in the past fortnight make it likely that the index of longer-leading indicators will decline during June. A similar trend may be shown when data becomes available for the financial position of the company sector.

## Traders take legal action on shopping centre plan

By Andrew Taylor

A GROUP of 30 city centre traders in Peterborough is to challenge the local Development Corporation in the High Court over the corporation's proposed 25m shopping centre.

The traders allege that the corporation's proposals are in breach of planning permission. They claim that the original plans for the centre have been altered, and do not now include access to their shops.

The case is expected to be heard later this summer. The corporation yesterday denied the allegations, and said it would oppose the traders' action.

Earlier this year, the corporation warned that any delay could jeopardise the whole project.

The new centre would provide five major stores, space for more than 90 smaller shops and parking for 2,000 cars.

The development, which also includes plans for a bus station, would be one of the largest regional shopping centres in East Anglia.

## Plans to raise lakes' water levels to be probed

PUBLIC inquiry is to be held to study plans by British Nuclear Fuels and the North West Water Authority to raise the water level in two Lake District lakes. Mr. Michael Heseltine, Environment Secretary, said yesterday.

The decision to "call in" planning applications for the lakes reflects concern over proposals.

British Nuclear Fuels wants to take more water from Westwater lake for its operations at the Windscale nuclear reprocessing plant and has applied for permission to build a weir at the lake's outlet to raise the water level.

The other main planning application to be considered at the public inquiry is a plan by the water authority to raise the water level in Ennerdale lake to meet increased water requirements in Cumbria.

## Oppenheim clamps down on restrictive trading

By Paul Taylor

MRS. SALLY OPPENHEIM, Consumer Affairs Minister, yesterday appealed to traders and the public to help the Monopolies and Mergers Commission investigate two anti-competitive trading practices.

The practices are full-line pricing—making a customer buy a full range of a supplier's goods and services, linking one product or service to the sales of another.

Mrs. Oppenheim said the commission's current investigation would be a "useful complement" to new powers the government would introduce shortly. Bad practices would be looked at case by case.

"I ask anyone who has views on these practices to pass them on to the commission, giving examples where possible," she said.

Such practices were "not just the concern of the business world," but everyone, because they affected the price and choice of goods and services.

The Government intends to strengthen the powers of both the Director General of Fair Trading and the Monopolies and Mergers Commission.

## Peabody Holmes wins refuse converter order

PEABODY HOLMES, with sister company Peabody AS of Sweden, has won a 25m contract to design and build plant and equipment which will convert domestic refuse into agricultural compost.

The plant, for the Swedish Skellefteå community (pop. 40,000), is supplied on a turnkey basis, and will process 250 tonnes of refuse daily. In addition to producing compost, the plant will also process combustible industrial and commercial waste for use as fuel. The installation should be fully operational in 1981.

Orders from Poland worth £1m have been won by LANSING. Two Polish companies which distribute perishable goods have ordered 51 Lansing Regal cold-store trucks, worth 200,000. Polish ports have ordered 10 Lansing Henley and our Heron fork lift trucks, worth £250,000. Polish sold stores have also ordered parts totalling £250,000.

FRENCH KIER CONSTRUCTION (French Kier Group member) has been awarded a 738,000 contract by the London Midland Region of British Rail for a roof inspection platform at Fenchurch Station. The contract includes the design, manufacture and installation of permanent access trolleys to run on beams fixed to the roof.

GRAHAM MILLAR GROUP has secured a contract worth 200,000 to install an asphalt plant in Essex for Cawood Road Materials.

The industrial finishing division of CARRIER ENGINEERING has an order worth more than £400,000 to supply two paint

## Benefit supplements revision urged

By Paul Taylor

THE GOVERNMENT was urged yesterday to simplify the supplementary benefits system before the service breaks down.

The Supplementary Benefits Commission, responding to a review of the system conducted by civil servants and published last July, suggests a wide range of reforms designed to simplify the system and give claimants more rights.

The commission said that the system is close to breaking point in some areas. Professor David Donnison, commission chairman, said yesterday that unless the system is simplified "it will be impossible to maintain acceptable standards for people in Britain who are in real need."

The main points made by the commission to the Government include a new legal structure for the supplementary benefits scheme ensuring its rules are fully published and approved by Parliament, extra help for families with children, less reliance on discretionary powers. Mr. Reg Prentice, Social Security Minister, said yesterday that the commission's views would be considered "within the framework of the Government's wider economic policies."

Response of the Supplementary Benefits Commission to "Social Assistance," HMSO £1.

## Plessey drops bid to link with American company

By Max Wilkinson

PLESSEY, the electronics group, has abandoned its attempt to form a joint venture with the U.S. General Instrument Microelectronics to take over its integrated circuit operations.

The indications are that Plessey now intends to go it alone in this expensive and competitive sector of the electronics industry.

After a turbulent time which included talks with the National Enterprise Board and GEC about selling off its integrated circuit operations, Plessey has hired Dr. Melvin Larkin, chairman of Motorola (UK), to head its components division.

It is unlikely that Dr. Larkin would have accepted the job without an undertaking by Plessey that it intends to provide substantial funds to make a success of the integrated circuit business.

Last year Plessey offered the business, which is estimated to have had sales of about £8m, to GEC, but a price could not be agreed between the two companies.

Shortly afterwards, GEC announced that it had hired the head of Plessey's components division, Mr. Derek Roberts.

Mr. Roberts has become head of GEC's Hirst Research Centre which has included the company's relatively small integrated circuit operations.

The future of Plessey's integrated circuit plant will probably not be decided in detail until Dr. Larkin takes up his new job next month.

One of the main dilemmas facing him will be what to do with the new magnetic bubble technology which Plessey has developed in competition with some of the leading microelectronics companies in the world, including Texas Instruments, Rockwell International, and Intel of the U.S.

Bubble memories are capable of storing an extremely high density of computer data in a very small space. Intel and Rockwell have already announced a component capable of storing 1m items of information on one small component.

If Plessey wishes to stay in the race against these very strong rivals, a substantial investment will be needed to produce the memories in high enough volume for the international market.

## Building leaders fear Budget cut effects could prove greater

By Andrew Taylor

BUILDING INDUSTRY leaders fear public spending cuts on construction work could be deeper than those announced in the Budget.

The National Federation of Building Trades Employers and the National Council of Building Material Producers fear that local authorities, faced with an effective £335m reduction in Rate Support Grant, will cut capital spending on construction work rather than spread the load.

Building leaders say that this would come on top of the capital spending cuts announced by the Chancellor in the Budget.

The NFBTE says that between 15 per cent and 20 per cent of the £1.1bn spending cuts announced by the Chancellor will come from capital construction programmes.

It said that the budget measures were inadequate and had failed to encourage private sector demand. This was particularly important if the private sector was to replace work lost through public expenditure cuts.

The NFBTE was particularly critical of the £55m cut on water industry spending, given the poor state of the country's sewerage network.

The Federation said that the key issue facing the industry was the reaction of private sector demand over the next 12

months. This area has been steadily recovering, it says, but would now be tested by the tight squeeze announced in the Budget.

It said that higher interest rates would reduce funds available for house purchase, increase building costs and reduce incentive for capital investment in construction. The rise in VAT would also increase the cost of home improvement work.

The National Council of

Building Material Producers also fears that public sector construction cuts for 1979-80, officially stated at £250m, may be even higher as a result of the reduction in Rate Support Grant.

The BMP in its latest information bulletin says that "public authorities faced with tough cash limits may make further cuts in capital expenditure rather than reducing incremental current spending."

## Nissan to aid Japanese studies at Oxford

By Michael Dixon, Education Correspondent

JAPANESE STUDIES at Oxford University will be extended with the help of Nissan Motor, maker of Datsun cars and the Japanese motor industry's largest exporter to Britain.

The size of the endowment, which will include a new professorship, is not being disclosed until the official announcement is made in Tokyo this morning.

But sums of about £1m each were donated to the London School of Economics last year by the Toyota group—the only Japanese motor company bigger than Nissan—and the Sunbury drinks concern.

Unlike the Toyota-Sunbury gift which was to establish an international centre for economics and related studies, the Nissan foundation is understood to be specifically for the development of Japanese studies in the UK.

Oxford has been chosen for the development, although when Nissan and the Japanese Government first mooted the scheme last year, the Department of Education and Science asked that the endowment be distributed among two or three British universities including at least one recent foundation.

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## UK NEWS

# Ford decides to retain its tractor operations

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD tractor plant employees have been told that the business is no longer up for sale. And the U.S. Board has approved the most ambitious new product programme for 15 years.

The main tractor plants affected are at Basildon, Essex, where 4,650 employees produce more than 47,500 tractors a year and Antwerp, Belgium, where 3,700 employees produce 37,500 tractors annually.

Ford Tractor also has plants at Romeo, Michigan—where output is around 36,000—and in Brazil and Mexico which between them turn out about 12,000 tractors a year mainly from kits supplied from Britain.

Ford studied several offers for the tractor operations after it became known unofficially it might be a willing seller.

The group has been looking at ways to save money because of the huge sums it must find to finance its new U.S. car programme which has to meet increasingly stringent fuel economy and pollution control legislation.

Ford estimated recently that it expects to spend \$200m on product programmes between 1978 and 1985, of which about 80 per cent would go towards meeting U.S. Government regulations. This compares with \$60m, of which 25 per cent went

to meet the regulations, in the 1970-1977 period.

The company said that the future high capital expenditure burden had meant it was exploring several alternatives to reduce spending, "including the sale of the tractor operations."

However, it said, after a complete study the Board decided that tractor operations are a vital element of the company and its interests will be served best by continuing aggressively in the tractor business.

The company is ending all discussions concerning the possible sale of the tractor operations and is not interested in receiving any further offers.

## Lower used car prices forecast

By Kenneth Gooding, Motor Industry Correspondent

THE BRITISH Car Auctions group predicts lower second-hand car prices later this year owing to a flood of ex-lease vehicles on the market.

Mr. Michael Richardson, managing director of BCA, said the boom in vehicle leasing which followed a relaxation of regulations last June, could soon create problems for used-car dealers.

"Most of the vehicles were contracted out on a two- or three-year term. Completion of the first of these leases will be this autumn and from then on they could flood the second-hand car market."

"The result of such disposal, if unorganised, could be severely depressed prices."

### Competitive

Another indication that the UK used car market is likely to become more competitive over the next few months has been given by the Hertz rental concern.

Hertz is raising the warranties on cars offered for sale at its retail outlets in Britain to 24 months or 24,000 miles from 12 months or 12,000 miles. The company has retail sites in London, Norwich and Wolverhampton.

## Ethnic groups to grow

PEOPLE OF New Commonwealth and Pakistani origin are likely to form about 5 per cent of the British population in 1991, according to Government statistics published yesterday.

The Office of Population Censuses and Surveys' figures are based on a range of assumptions about immigration, birth and death rates and show the New Commonwealth and Pakistani ethnic origin population in Britain increasing from 1.042m in 1975 to between 2.471m and 2.938m by 1991.

## Taxis up 10%

TAXI FARES in Norwich went up by 10 per cent yesterday through higher VAT and petrol prices. Drivers had asked for a 25 per cent rise. The city council will review their fare structure before allowing more.

## Southwark considers new site for £28m town hall

By PAUL TAYLOR

THE London Borough of Southwark may select an alternative site for its controversial new town hall.

Plans to build the £28.5m town hall complex at Peckham were completed earlier this year, in spite of opposition from local ratepayers and a split in the ruling Labour group on the council. Final costs for the project could reach £50m.

Ratepayers were angered when £2.15m was added to the

local authority's 1978/80 budget to help pay for the hall. A public inquiry is to be held into the proposal there are fears that this could delay the project and add to its cost.

Yesterday the council confirmed that it was considering an alternative site owned by the Greater London Council at the Elephant and Castle.

It is unlikely that a public inquiry will be held if the new site is chosen. Southwark may make the project less ambitious.

## State puts £100,000 in ladders

By Our Welsh Correspondent

THE WELSH Development Agency has celebrated its reprieve by the Government with a £100,000 investment in a new lightweight ladder system which is being developed in North Wales.

The investment is in Pak-A-Ladder of Gaerwen, Anglesey. The system can be assembled into many shapes including a step ladder and trestles.

Mr. Peter Hughes, the inventor and company's managing director, plans to apply the idea to scaffolding and workbenches.

Mr. Nicholas Edwards, Secretary of State for Wales, told Parliament recently that there would be no radical change in the role of the WDA, the Welsh equivalent of the National Enterprise Board.

The Government would introduce legislation to limit the agency's powers to buy into profitable companies and to ensure it did not hold equity shareholdings on a permanent basis. He also gave an assurance there would be no change in the role of the WDA's country cousin, the Development Board For Rural Wales.

## Buoyant cash level for Lakes

THE LAKE District Special Planning Board had an excess of income over expenditure of £98,000 in 1978-79, the Board's finance committee was told yesterday.

Gross expenditure was £1.43m compared with income of £1.33m. Capital expenditure on development, forestry and access was £201,647. Revenue expenditure totalled £1.13m, a third of which was for development, forestry and access, a third for information and publicity and a third for planning services and administration.

## North Sea oil benefits 'hit trade balance'

By OUR ECONOMICS CORRESPONDENT

MORGAN GRENFELL and Co., the merchant bankers, has criticised official North Sea oil policy for turning a singular benefit into a major problem which threatens the competitive position of the UK manufacturing sector.

In the bank's latest economic review, Mr. John Forsyth, the chief economist, argues that this reversal is because of an unwillingness to consider the impact of North Sea development on the structure of the UK balance of payments.

The three main elements of official policy since 1976 have been firm control of the money supply, a large public-sector borrowing requirement and the maintenance of capital controls. These have combined to ensure that the impact of the improvement in the UK's oil account has led to a deterioration in the non-oil current account.

A substantial rise in the real exchange rate has affected trade volumes to such an extent that a rise in consumption of over 7 per cent has been consistent with a fall in manufacturing output.

Because official policy was not prepared to contemplate either a deterioration in the private capital account or heavy official intervention and debt repayment, the burden of adjustment has fallen on the UK manufacturing sector, for the only uncertainty has been how far the exchange rate must rise before market share is lost.

Mr. Forsyth argues that the problem threatens to become more acute because of the crude oil price rise. Consequently, the extra benefit to the balance of payments from North Sea oil this year now looks like being around £3bn, compared with earlier estimates of £1.2bn. This could have a substantial impact on the sterling exchange market.

If official intervention is limited to technical operations, the market imbalance from oil production must drive sterling to a level where there is a substantial short-term trading loss. Mr. Forsyth says there is a strong case for official intervention to smooth the impact of

the jump in value of oil production on the exchange market and the structure of the economy.

One problem is that intervention may be financed by the creation of money. While the underlying domestic borrowing requirement remains large, the authorities will not be in a position to offset North Sea oil production by intervention, either through reserve accumulation in the way the German authorities offset their current account surplus or via official debt repayment.

The most obvious way to finance intervention would be for the State to use its share of the economic rent derived from North Sea oil to finance its exchange market intervention. But Government participation in North Sea profits is belated.

The authorities are deprived of revenue when they need to intervene, while monetary policy will be strained by the rapid growth of balances held by oil companies against future liabilities, says Mr. Forsyth.

## List prepared of EEC laws affecting trade

A DIRECTORY listing all EEC laws affecting trading standards has been prepared by the Institute of Trading Standards Administration for the benefit of the 1,500 trading standards officers in England and Wales.

The directory is believed to be the first of its kind and a supplement is to be provided for Scotland and Northern Ireland.

The directory lists 629 pieces of law, of which 246 are directly attributable to Britain's membership of the EEC. A further section of the directory will detail laws, regulations and directives being prepared.

Trading Standards Legislation: Institute of Trading Standards Administration, Westminster Council House, Marylebone Road, London, NW1, £2.

## Bob Monkhouse acquitted on 'pirate film' charges

BOB MONKHOUSE, the comedian, was acquitted on "pirate film" charges at the Old Bailey yesterday, after Judge John Leonard ruled there was insufficient evidence against him.

The judge stopped the trial after three days of legal argument in the absence of the jury. He told them there was no clear evidence that Mr. Monkhouse, 49, of Eggington, near Leighton Buzzard, Bedfordshire, intended to cause economic loss to film companies by defrauding them of hiring fees.

A second defendant, Anthony Peter James Scott, 53, of Woodhurst Road, Acton, West London, who faced similar charges, was also acquitted on the judge's direction.

Judge Leonard told the jury he was concerned whether there was evidence as opposed to suspicion or guesswork. "The conclusion I have come to in relation to both defendants on all counts is that there is no such evidence." The allegation against both men was the serious criminal offence of conspiracy to defraud. The purpose of such an operation had to be

to cause economic loss.

The only evidence that Mr. Monkhouse did anything which might have been to the economic detriment of film companies was that he loaned a 16 mm copy of the James Bond film "Goldfinger" to his friend Terry Wogan, the radio and television personality. Mr. Wogan showed the film at his son's birthday party.

"That is not the sort of evidence which, in my view, justifies you coming to the conclusion that Mr. Monkhouse is guilty of conspiracy to defraud film distributors of their hiring fees," the judge said.

He could not find evidence which he could "safely and conscientiously" leave in their hands, or on which they could justifiably be asked to convict on serious criminal charges.

The judge said the Crown had conceded that if Mr. Monkhouse was not guilty, it could not invite the jury to convict Mr. Scott. He said: "There are a number of intangibles in this case. There is no clear evidence

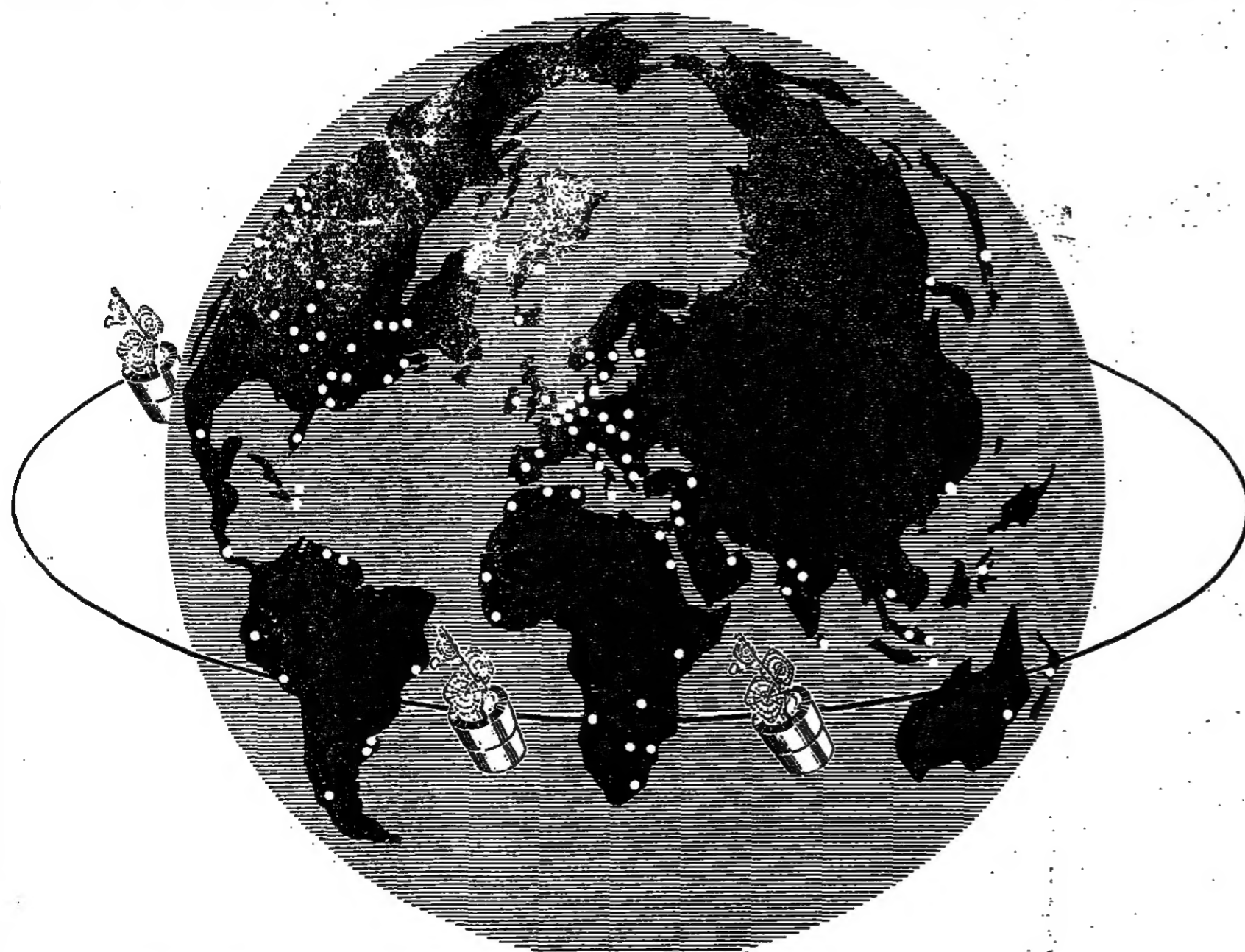
on which you would be entitled to conclude the dishonest or the criminal interpretation to be the right one.

"That being so, it would mean you as a jury would have nothing to work on."

The judge said that a letter which Mr. Monkhouse wrote to Jersey Customs contained "misstatements" about the contents of packages of film arriving at the airport. But there was no evidence Mr. Monkhouse knew the letter was misleading. "If he knew it contained a pack of lies, he was taking a most extraordinary risk," the judge said.

The judge acceded to an application by Mr. Anthony Hidden, QC, and awarded costs to Mr. Monkhouse, who had pleaded not guilty to five counts alleging conspiracy to defraud. Mr. Scott pleaded not guilty to two counts.

Both were alleged to have conspired to defraud Columbia Warner Distribution Ltd., the Film Distributors' Association Ltd., 20th Century Fox Film Co. Ltd. and other film distributors of hiring fees between January 1976 and October 1978.



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**REUTERS**  
World markets as they move.

الرياض 20

## UK NEWS — LABOUR

### ICI 'final' offer of 16½% rejected by manual workers

By Nick Garnett, Labour Staff

DIFFICULTIES in pay negotiations for the chemical industry peaked to worsen yesterday in the Transport and General Workers' Union rejecting a 'final' offer from ICI.

Separate national pay talks for major chemical companies under ICI collapsed last week with the possibility of industrial action in some of these companies. ICI has offered pay and restructuring package, estimated by union officials to be worth an overall 16½ per cent, to its 51,000 manual workers.

Members of the Transport and General Workers' Union, the largest non-union covered by the negotiations, have been voting 1 for rejection although not areas have sent in their figures.

Mr. Gerry Russell, Amalgamated Union of Engineering Workers executive member, said that there were indications that his members would also reject the package.

Voting of members of two other important unions, the National Union of Chemical Workers and the National Union of General Workers, is still not known. Certain conditions attached to ICI offer, including flexibility on new technology and unions to the shortage of technical staff at the company's Teesside plants, are viewed as problems by some

### Chocolate plant hit by strike

A 24-HOUR strike halted chocolate production at the Cadbury factory in Bourneville, Birmingham, yesterday.

Nearly 4,000 workers walked out after the company tried to introduce a round-the-clock shift system to boost output, although the plan had been rejected in a shop-floor ballot.

Transport and General Workers' Union official Mr. Bob Harrison told a mass meeting that management were trying to "bulldoze" the scheme through.

### Dockers' dispute halts Liverpool port freight

PORT OF Liverpool was at standstill yesterday apart from vital traffic areas where two vate stevedoring companies are operating.

The Royal Seaford container, tin and timber terminals were mobilised and 17 freighters of idle in the first major port stoppage in 18 months.

The Liverpool Port Employers' Association and the Transport and General Workers' Union had hoped there would be a return to work on the strike of the 1,488 men docked out on Monday evening 13 ships and one terminal.

But the position worsened, with 1,000 men stopped to bring the total to 2,400. Most of the dockers are employed by the Mersey Docks and Harbour Company. The strike was joined by dockers across the river at Birkenhead in spite of a vote on Monday to return to work.

Everything now hinges on a series of mass meetings at which union officials will urge an immediate return to work to preserve the port's record of productivity and reliability.

The dispute is over a claim by the dockers, who handle cargo on board vessels, that their pay differential, which was adversely affected in the 14 per cent pay deal settled two months ago. The port employers and the union claim that the point was covered in the package deal.

### BL parity plan may upset blue-collar men

By Arthur Smith, Midlands Correspondent

BL CARS has put forward pay proposals which it hopes will head off unrest among its 20,000 staff. But the move could cause problems with manual workers.

Leaders of 6,000 members of TASS, the white-collar section of the Amalgamated Union of Engineering Workers, are expected to recommend today an end to sanctions, including non-co-operation on the planned link with Honda.

BL has indicated it will award all white-collar workers in the company a proportion of parity payments already earned. This could upset some blue-collar leaders because the company is insisting that manual workers must hit productivity targets at individual plants

before any money can be paid. Fourteen of the 34 car plants, including Triumph, Coventry, and Rover, Solihull, have not yet achieved the production levels necessary to trigger payments.

#### Argument

The company has insisted that the programme to achieve parity—the same wage for the same job, regardless of plant—must be self-financed.

But management has accepted the staff argument that white collar workers' payment is not necessarily related to performance at the plant where they are located. Design staff, for example, develop models for all factories.

BL said the offer to the four staff unions was conditional upon improved efficiency, the lifting of all sanctions, and the slotting of employees into a new grade structure.

For TASS members the new five-grade structure, originally scheduled to be introduced by November '81, carries wage increases of between 15 and 30 per cent.

TASS embarked on a militant action programme because of a delay in implementing the parity programme. Union leaders maintain that pay for design engineers is out of line with competitors in the UK, and that unless the position is corrected the viability of BL Cars' operations will be threatened.

### Railmen told to act on fuel

ALL TRANSPORT unions should mount pressure to ensure that there will be enough fuel for essential rail and road services during the present oil shortage, a leading railway union leader said yesterday.

Mr. Bill Ranksley, president of ASLEF, the train drivers' union, told the union's annual conference in Torquay that unions should also support a fair system of petrol allocation to private motorists instead of rationing by price.

Electrification of British Rail should be given top priority, he said. His union had been advocating it for years, as a guarantee against the long-term shortage of fossil fuel.

Mr. Ranksley bitterly attacked the Conservative Government for a budget in which it had "in effect declared war on the vast majority of the British people."

"If we unite the British people in opposition to each and every attack against their interests, I am absolutely certain that the Government will have disappeared long before 1984," he said.

Trade unionists should resist "by every possible means" legislation which he said was designed to deprive unions of their "hard-won gains."

British Rail yesterday abandoned economy cuts in South Wales train services and withdrew disciplinary notices in a move to end a protest strike by some 200 railwaymen.

The rebel railwaymen, at the Treherbert and Rhymney Valley depots, had earlier refused to meet Mr. Archie Kirkwood, the NUR Divisional Officer, to discuss the action.

### Prestcold men to accept closure

By Ray Perman, Scottish Correspondent

WORKERS AT Prestcold's two Glasgow factories, which are threatened with closure in September, voted narrowly yesterday to end the fight to save their 900 jobs.

Shop stewards will meet again today to persuade the workforce to change its mind.

The monthly paid staff association, which represents technical and management employees, decided it would continue its campaign to save the factories.

Mr. Callum Grant, chairman, said there was still hope that Prestcold could be made viable again. Local directors had drawn up a plan for 280 redundancies.

Mr. Grant said the workforce was despondent because there

had been little information from the company.

Some staff have accepted enhanced redundancy payments in return for co-operation during the closure period.

The Scottish Development Agency said it was considering what affect the closure would have on its own subsidiary, Lemac, which manufactures electric motors for Prestcold. The agency has so far declined to invest in the factories, along with the National Enterprise Board and British Leyland, Prestcold's parent company.

Sir William Gray, the agency's chairman, said: "As far as Prestcold is concerned, we do not have a closed mind and we are always willing to look at new proposals which could mean saving all or some of the jobs."

### VAT 'may hit jobs'

By Our Labour Staff

THE IMPACT of higher value-added tax and oil duties on distribution costs and shops' profits was criticised yesterday by the executive of the Union of Shop, Distributive and Allied Workers, representing nearly 500,000 workers in the distributive trades.

The union says it is concerned that as costs work their way through to goods in the shops — including items not subject to VAT — there will be cut on employees' wage increases or a reduction in staffing levels.

The union's general secretary, Lord Allen, said: "We cannot stand by and see our members taking lower pay increases than other groups of low-paid workers, or allow them to face higher risks of job insecurity. We hope that Parliament will find a way to lessen the im-

### Goodyear plant lays off 650

ABOUT 650 workers were laid off at the Goodyear tyre factory in Wolverhampton yesterday because of a 24-hour strike by 180 men.

They walked out of the plant vulcanising section in protest over the time a work study scheme was taking.

Their action brought to a standstill all work in the commercial tyre vulcanising section

### Big pay rise 'would hit Tube fares and services'

By Our Labour Staff

LONDON TRANSPORT Executive warned yesterday that significant cuts in the Underground services and heavy fare increases were likely if pay claims by three rail unions of 17 to 20 per cent were met.

Mr. John Cameron, Executive member for personnel, told the ad hoc arbitration tribunal examining the London Underground pay dispute that services would be cut to keep prices to an acceptable level.

A concession to the Underground staff by the Executive would have a "tidal wave" effect across the whole of London Transport. It would be using all its contingency reserves this year, and would have

to observe strict cash limits. The Executive gave written evidence on the effects of the claims by the National Union of Railwaymen, ASLEF, the train drivers' union, and the Transport Salaried Staffs Association.

It said: "Fares would have to be increased very heavily, fewer passengers would travel, and there would possibly have to be significant cuts in service levels and staffing levels in order to contain costs to an acceptable level."

The unions are demanding pay increases averaging between 17 per cent and 20 per cent for 23,000 Tube workers. The Executive says the minimum claim above its 10.5 per cent offer would cost £20m a

year and would double fares.

Mr. Charles Turnock, NUR assistant general secretary, said railwaymen were not prepared to conform to an overall London Transport policy on pay and conditions. London Transport jobs had become a stepping post for many people in between jobs, and that was no way to run an underground system properly.

The arbitration tribunal, headed by Mr. Ian Buchanan of Dundee University, will give its findings tomorrow. They are not binding on either side. The unions have said it will be difficult to control their members unless the tribunal comes up with a "satisfactory" award.

### Court move to end truck company blacking

Financial Times Reporter

INDUSTRIAL ACTION by members of the Society of Graphical and Allied Trades was causing substantial damage to PBDS (National Carriers), the High Court was told yesterday.

The company is seeking temporary orders against Mr. J. J. Filkins and all other members of SOGAT's London Central Branch committee, to stop picketing and "blacking" the company's depots.

Mr. Eldred Tabachnik, for PBDS (National Carriers), told Mr. Justice Walton that he needed time to reply to four affidavits put in by Mr. Filkins.

It was a matter of urgency because of damage being done to the company, said Mr. Tabachnik, asking for a date for a hearing of the company's application next week.

The judge said an early date would be fixed. It might be possible for him to hear the case himself on Wednesday and Thursday next week, he added.

Mr. Richard Harvey QC, for Mr. Filkins, consented to the adjournment.

#### Picketing

The orders being sought by the company against Mr. Filkins, until full trial of the action or further court order, are:

- To instruct all members of SOGAT's London Central branch, and all persons organising and/or participating in any form of industrial action against the company, to cease from that action.

- To issue instructions restraining branch members from picketing outside the company's depots at Neasden and Gt. Watford or any of its other depots.

- To withdraw instructions to branch members (i) that they are not to associate with any transport delivery service unless a SOGAT membership card is produced, and/or (ii) that they are to refuse to handle any books sent to the company's Neasden or Gt. Watford depots or delivered from the company's vehicles.

### Union seeks cancer action

A CAMPAIGN is being mounted by trades unions to force the Government to take measures to prevent cancer through exposure to chemicals.

"Cancer is getting out of control," said the General and Municipal Workers' Union in a statement last night.

"Seventy-five years ago only one in 20 died of cancer—now over one in five of us can expect to die of it."

The G.M.W.U. has proposed measures to help prevent cancer and called for more money to be spent identifying cancer-causing agents.

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#### ART GALLERIES

NEW GALLERY, 43 Old Bond St., W.1.

1979-80 Exhibition, 27 Old Bond St., W.1. 10.30-5.30, Thurs, Sat, 7.00-10.00.

1. BARN, until July 1. Monthly Long Art Exhibition, 27 Old Bond St., W.1. 10.30-5.30, Thurs, Sat, 7.00-10.00.

2. LINE OF MOUNT STREET LTD., 43 Old Bond St., W.1. 10.30-5.30, Thurs, Sat, 7.00-10.00.

3. KALAMATI, 43 Old Bond St., W.1. 10.30-5.30, Thurs, Sat, 7.00-10.00.

4. JID CARRITT LIMITED, 148, New Bond St., W.1. 10.30-5.30, Thurs, Sat, 7.00-10.00.

5. ART SOCIETY, 148, New Bond St., W.1. 10.30-5.30, Thurs, Sat, 7.00-10.00.

6. MILTONS, 13, Carter's Place, N.1. 10.30-5.30, Thurs, Sat, 7.00-10.00.

7. BLOOMSBURY, 43 Old Bond St., W.1. 10.30-5.30, Thurs, Sat, 7.00-10.00.

8. ALL GALLERIES, 43 Old Bond St., W.1. 10.30-5.30, Thurs, Sat, 7.00-10.00.

9. WERN GALLERY, JEFFREY SMART, 148, New Bond St., W.1. 10.30-5.30, Thurs, Sat, 7.00-10.00.

10. JIN GALLERIES, 148, New Bond St., W.1. 10.30-5.30, Thurs, Sat, 7.00-10.00.

11. KERRAY GALLERY, 148, New Bond St., W.1. 10.30-5.30, Thurs, Sat, 7.00-10.00.

12. TRAVEL

PERSONAL

#### COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN THE SHARES OF THE COMPANY.

The General Meeting of Shareholders of the Company will be held on Thursday, June 21, 1979, at 11.00 a.m. at the Company's Registered Office, 100, Old Broad Street, London, EC2M 1JG.

AGENDA

1. Approval of balance sheet for the year ended 31 March 1979 and the auditors' report thereon.
2. Declaration of dividends for the year ended 31 March 1979.
3. Election of directors.
4. Appointment of auditors.
5. Other business.

Shareholders who wish to exercise their voting rights must, pursuant to Condition 12 of the EDR, deposit their certificates not later than the close of business on Monday, June 18, 1979, with the Company Secretary, Citibank N.A., 15, Old Broad Street, London, EC2M 1JG.

CHILEAN EXTERNAL LONG TERM DEBT. MUNICIPALITY OF SANTIAGO.

NOTICE IS HEREBY GIVEN that the Municipality of Santiago, Chile, is offering for sale by public auction, on June 21, 1979, at 11.00 a.m., 10 Bonds of 2,100 nominal value each, of the above loan for the year 1979.

The following are the numbers of the bonds drawn for sale:

100-1175-1188-1248-1485-1489-1500-1501-1502-1503-1504-1505-1506-1507-1508-1509-1510-1511-1512-1513-1514-1515-1516-1517-1518-1519-1520-1521-1522-1523-1524-1525-1526-1527-1528-1529-1530-1531-1532-1533-1534-1535-1536-1537-1538-1539-1540-1541-1542-1543-1544-1545-1546-1547-1548-1549-1550-1551-1552-1553-1554-1555-1556-1557-1558-1559-1560-1561-1562-1563-1564-1565-1566-1567-1568-1569-1570-1571-1572-1573-1574-1575-1576-1577-1578-1579-1580-1581-1582-1583-1584-1585-1586-1587-1588-1589-1590-1591-1592-1593-1594-1595-1596-1597-1598-1599-1600-1601-1602-1603-1604-1605-1606-1607-1608-1609-1610-1611-1612-1613-1614-1615-1616-1617-1618-1619-1620-1621-1622-1623-1624-1625-1626-1627-1628-1629-1630-1631-1632-1633-1634-1635-1636-1637-1638-1639-1640-1641-1642-1643-1644-1645-1646-1647-1648-1649-1650-1651-1652-1653-1654-1655-1656-1657-1658-1659-1660-1661-1662-1663-1664-1665-1666-1667-1668-1669-1670-1671-1672-1673-1674-1675-1676-1677-1678-1679-1680-1681-1682-1683-1684-1685-1686-1687-1688-1689-1690-1691-1692-1693-1694-1695-1696-1697-1698-1699-1700-1701-1702-1703-1704-1705-1706-1707-1708-1709-1710-1711-1712-1713-1714-1715-1716-1717-1718-1719-1720-1721-1722-1723-1724-1725-1726-1727-1728-1729-1730-1731-1732-1733-1734-1735-1736-1737-1738-1739-1740-1741-1742-1743-1744-1745-1746-1747-1748-1749-1750-1751-1752-1753-1754-1755-1756-1757-1758-1759-1760-1761-1762-1763-1764-1765-1766-1767-1768-1769-1770-1771-1772-1773-1774-1775-1776-1777-1778-1779-1780-1781-1782-1783-1784-1785-1786-1787-1788-1789-1790-1791-1792-1793-1794-1795-1796-1797-1798-1799-1800-1801-1802-1803-1804-1805-1806-1807-1808-1809-1810-1811-1812-1813-1814-1815-1816-1817-1818-1819-1820-1821-1822-1823-1824-1825-1826-1827-1828-1829-1830-1831-1832-1833-1834-1835-1836-1837-1838-1839-1840-1841-1842-1843-1844-1845-1846-1847-1848-1849-1850-1851-1852-1853-1854-1855-1856-1857-1858-1859-1860-1861-1862-1863-1864-1865-1866-1867-1868-1869-1870-1871-1872-1873-1874-1875-1876-1877-1878-1879-1880-1881-1882-1883-1884-1885-1886-1887-1888-1889-1890-1891-1892-1893-1894-1895-1896-1897-1898-1899-1900-1901-1902-1903-1904-1905-1906-1907-1908-1909-1910-1911-1912-1913-1914-1915-1916-1917-1918-1919-1920-1921-1922-1923-1924-1925-1926-1927-1928-1929-1930-1931-1932-1933-1934-1935-1936-1937-1938-1939-1940-1941-1942-1943-1944-1945-1946-1947-1948-1949-1950-1951-1952-1953-1954-1955-1956-1957-1958-1959-1960-1961-1962-1963-1964-1965-1966-1967-1968-1969-1970-1971-1972-1973-1974-1975-1976-1977-1978-1979-1980-1981-1982-1983-1984-1985-1986-1987-1988-1989-1990-1991-1992-1993-1994-1995-1996-1997-1998-1999-2000-2001-2002-2003-2004-2005-2006-2007-2008-2009-2010-2011-2012-2013-2014-2015-2016-2017-2018-2019-2020-2021-2022-2023-2024-2025-2026-2027-2028-2029-2030-2031-2032-2033-2034-2035-2036-2037-2038-2039-2040-2041-2042-2043-2044-2045-2046-2047-2048-2049-2050-2051-2052-2053-2054-2055-2056-2057-2058-2059-2060-2061-2062-2063-2064-2065-2066-2067-2068-2069-2070-2071-2072-2073-2074-2075-2076-2077-2078-2079-2080-2081-2082-2083-2084-2085-2086-2087-2088-2089-2090-2091-2092-2093-2094-2095-2096-2097-2098-2099-2100-2101-2102-2103-2104-2105-2106-2107-2108-2109-2110-2111-2112-2113-2114-2115-2116-2117-2118-2119-2120-2121-2122-2123-2124-2125-2126-2127-2128-2129-2130-2131-2132-2133-2134-2135-2136-2137-2138-2139-2140-2141-2142-2143-2144-2145-2146-2147-2148-2149-2150-2151-2152-2153-2154-2155-2156-2157-2158-2159-2160-2161-2162-2163-2164-2165-2166-2167-2168-2169-2170-2171-2172-2173-2174-2175-2176-2177-2178-2179-2180-2181-2182-2183-2184-2185-2186-2187-2188-2189-2190-2191-2192-2193-2194-2195-2196-2197-2198-2199-2200-2201-2202-2203-2204-2205-2206-2207-2208-2209-2210-2211-2212-2213-2214-2215-2216-2217-2218-2219-2220-2221-2222-2223-2224-2225-2226-2227-2228-2229-2230-2231-2232-2233-2234-2235-2236-2237-2238-2239-2240-2241-2242-2243-2244-2245-2246-2247-2248-2249-2250-2251-2252-2253-2254-2255-2256-2257-2258-2259-2260-2261-2262-2263-2264-2265-2266-2267-2268-2269-2270-2271-2272-2273-2274-2275-2276-2277-2278-2279-2280-2281-2282-2283-2284-2285-2286-2287-2288-2289-2290-2291-2292-2293-2294-2295-2296-2297-2298-2299-2300-2301-2302-2303-2304-2305-2306-2307-2308-2309-2310-2311-2312-2313-2314-2315-2316-2317-2318-2319-2320-2321-2322-2323-2324-2325-2326-2327-2328-2329-2330-2331-2332-2333-2334-2335-2336-2337-2338-2339-2340-2341-2342-2343-2344-2345-2346-2347-2348-2349-2350-2351-2352-2353-2354-2355-2356-2357-2358-2359-2360-2361-2362-2363-2364-2365-2366-2367-2368-2369-2370-2371-2372-2373-2374-2375-2376-2377-2378-2379-2380-2381-2382-2383-2384-2385-2386-2387-2388-2389-2390-2391-2392-2393-2394-2395-2396-2397-2398-2399-2400-2401-2402-2403-2404-2405-2406-2407-2408-2409-2410-2411-2412-2413-2414-2415-2416-2417-2418-2419-2420-2421-2422-2423-2424-2425-2426-2427-2428-2429-2430-2431-2432-2433-2434-2435-2436-2437-2438-2439-2440-2441-2442-2443-2444-2445-2446-2447-2448-2449-2450-2451-2452-2453-2454-2455-2456-2457-2458-2459-2460-2461-2462-2463-2464-2465-2466-2467-2468-2469-2470-2471-2472-2473-2474-2475-2476-2477-2478-2479-2480-2481-2482-2483-2484-2485-2486-2487-2488-2489-2490-2491-2492-2493-2494-2495-2496-2497-2498-2499-2500-2501

## UK NEWS—PARLIAMENT and POLITICS

## Prior admits trend to higher unemployment

BY IVOR OWEN

A BLUNT new warning to the unions that excessive pay settlements will result in workers pricing themselves out of their jobs was given by the Prime Minister in the Commons yesterday.

It came on top of an earlier admission by Mr. James Prior, the Employment Secretary, that on current trends unemployment is likely to be higher in twelve months time than at present.

There was an angry reaction from Labour MPs who intensified their attacks on the Government's economic strategy and the "tax handouts" provided for the higher paid in the Budget.

Mrs. Thatcher, who announced that she will be meeting the economic committee of the TUC on Monday, again kept her options open when questioned about the possibility of the Government introducing a pay freeze.

But she made it clear that she intends to do everything possible to avoid being forced into taking such a course.

If wage levels went very high indeed without increased output, the result would be increased unemployment, she declared.

But the Prime Minister refused to be tied down when Mr. Donald Stewart (SNP Western Isles) pressed for an assurance that under her Government there would be no pay freeze and no incomes policy.

"I don't rule things out for-

ever," she replied. But she promised to "struggle against" the introduction of a pay freeze or incomes policy.

"I believe it is far better for people to be faced with the consequences of their own wage claims than to try to save them from it," she insisted.

The Prime Minister flatly refused to confirm a report that the Government was engaged on constructing a pay policy which would operate under some other name.

She said: "The only incomes policy I am interested in is an output policy to get increase in output at competitive prices. That is the only way in which we will get a rising standard of living in this country."

The Budget, which had taken 1.3m people out of tax altogether throughout the wage scale so that they would all be able to keep more of their own money in their own pockets to spend in their own way was a first step towards the achievement of this objective.

Mrs. Thatcher argued that the all-round benefits provided by the Budget should be welcomed by the TUC. She endorsed the recent declaration by Mr. James Callaghan, the Labour leader, that it would be wrong for the unions to try to use their power to bring down the Government.

This was a view which should be accepted by everyone in a Parliamentary democracy, and she believed that it was shared by the vast majority of trade unionists in Britain.

Mr. Dennis Skinner (Lab., Bolton) maintained that the Government had no mandate to increase VAT to 15 per cent. He contended that those adversely affected had a right to defend themselves, whether inside Parliament or outside.

The Prime Minister answered that Parliament was the right place for Mr. Skinner to pursue his particular views. "We certainly have a mandate for reducing direct taxes and for increasing indirect taxes."

Mrs. Thatcher, who told MPs that she also hoped to meet CBI leaders soon, looked to the membership of the national forum which the Government proposes to establish for wide ranging discussions on economic policy, going beyond the CBI and TUC.

She agreed wholeheartedly with Mr. Tim Renton (C. Mid-Sussex) that the acquisition of shares by employees was a far better route to worker participation than the appointment of union-nominated directors.

The Prime Minister said: "It is our wish that people who work in industry, whether public or private, should make more strides in being real capital owners themselves."

In giving his forecast that unemployment is likely to be higher in 12 months time than at present, Mr. Prior refused to be drawn into making precise estimates.

Labour MPs failed to secure confirmation of reports that the numbers out of work could reach as high as 2m.

## Kiribati republic finally agreed

INDEPENDENCE for the Gilbert Islands in the form of a new Kiribati republic was finally agreed in the Lords yesterday, despite a sustained campaign in both houses of Parliament.

Labour peer Lord Brockway put the case of the Banabans, who do not want to be included in the new republic.

Seeking to exclude the Banabans from the Kiribati Bill, he told the Lords: "The Banabans will be incorporated unilaterally within the Gilbertese independence, and incorporated against their will. The door will be slammed."

But Lord Trefgarne (C) assured peers that the islanders' rights on their homeland would not be affected by independence.

The Bill now requires only Royal Assent to become law in time for the target independence date of July 12.

## Challenge to rates policy

THE GOVERNMENT is to be put on the spot by one of its own backbenchers over its attitude to the rating system.

Mr. Richard Shepherd, one of the new Tory MPs, is using his position in the ballot for Private Members' Bills to promote a Bill which would abolish the rating system.

Since Mr. Shepherd came only 19th in the ballot, his Bill stands little chance of getting on the Statute Book, even if the Government supported it, which is not likely.

But it may oblige Ministers to spell out their views on rates and so demonstrate just how Conservative policy has changed in the last five years.

## Prior offers help to Times

EMPLOYMENT Secretary James Prior is maintaining "close touch" with the deadlocked dispute which closed Times Newspapers, MPs were told yesterday.

Mr. Patrick Mayhew, Employment Under-Secretary, said Mr. Prior was willing to offer any assistance which seemed likely to help towards resumption of publication.

Mr. Christopher Price (Lab., Lewisham W.) had asked whether The Times was an exception to the Government policy of "letting incompetent managements suffer the consequences of their own folly."

## Lords warned of dismal economic inheritance

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A GRIM description of the state of the economy which the Tories inherited from the Labour Government was given to the Lords last night by Lord Cockfield, Minister of State at the Treasury.

His words echoed those of the Chancellor, Sir Geoffrey Howe, who painted a similar picture when he wound up the Budget debate in the Commons.

Lord Cockfield also declared that excessive pay demands could mean workers pricing themselves out of jobs, underlining the warning given to the Commons earlier in the day by the Prime Minister.

Speaking in a debate to take note of the Budget, Lord Cockfield said that the proposals contained in it were the most important since the Lloyd George Budget of 1909/1910.

That Budget had led to increasing Government expenditure and taxation and to the economic decline "which is now beginning to stare us in the face."

The last five years had seen an acceleration in that decline with slower growth, higher inflation and higher unemployment.

On all counts, our record was worse—in some instances much worse—than our main competitors," he commented.

But not until the present Budget had anyone realised the extent to which the situation

had deteriorated since the onset of last winter.

"It is clear that the path along which we have been travelling offers no solution to our difficulties," he went on.

"On the contrary, it only holds out the prospects of further decline. If nothing were done, we should soon find ourselves facing a situation not simply of relative decline but of decline in absolute terms."

Successive governments in Britain had been determining their expenditure first and then regarding it as their duty to raise the revenue to meet that expenditure or of taking refuge by printing money.

But now the public was revolting against this "fool's paradise."

There were cries of support when he declared firmly: "In future, it will be the level of taxation which people are prepared to pay which will dictate the level of expenditure."

The Government was determined to re-establish sound money. There was a great deal of inflation in the system as the result of Labour policies and it was only by the vigorous action announced in the budget that it would be squeezed out.

He did not believe that if the Retail Price Index went up, union leaders would seek compensation in wages without regard to income tax cuts.

The Government believed that unions and employers would bargain responsibly and with full regard to the consequences for their companies and union members.

"With strict control over monetary and fiscal policy, the employer who accepts an excessive pay settlement damages his own profits and puts the viability of his business at risk," he warned.

"The employee who insists on an excessive settlement damages the company for which he works and puts his own job in jeopardy."

From the Opposition front bench, Lord Bruce of Donington argued against the Government's strategy. He maintained that the figures in the Red Book which accompanies the budget should contribute powerfully to inflation.

He predicted that there would be "many a U-turn" by the Government as the result of factors which it had failed to take account of.

It was a little odd, he said, that the greatest benefit of the income tax cuts went to those on high incomes.

He saw no certainty that the so-called incentives and inducements in the budget would result in the higher investment which the Government said was desirable.

## MPs seek veto on loan to Nicaragua

By Elinor Goodman

LABOUR MPs are demanding that Britain should reconsider its decision to approve a £30m IMF loan to General Somoza's troubled regime in Nicaragua.

The loan was endorsed last month by Britain's IMF representative, Mr. Bill Rye.

Last year, a similar loan was vetoed with the help of the British Government. Now two of the Labour Ministers involved in last year's decision, Mr. David Davies and Mr. Ted Rowlands, have tabled questions asking why Britain is now agreeing to lend money to a country whose corrupt Government seems on the point of collapse.

Mr. Davies has suggested that discussions should be held with Mr. Rye to see whether the loan should be reconsidered.

Lord Avebury, chairman of the Parliamentary Human Rights Group, also has tabled a question asking the Government whether it considers the President Somoza enhances the creditworthiness of his regime by bombing his own capital and massacring his citizens.

He then goes on to ask the Government if it will try to revoke IMF approval of the loan.

Yesterday, Mr. Davies claimed that it damaged the IMF's reputation to lend money to such a "Fascist" regime.

## Allaun urges labour unity

By Philip Rawstone

MR. FRANK ALLAUN, left-wing chairman of the Labour Party, yesterday appealed to the party to avoid internal conflicts.

"We must avoid a bitter left-right struggle which would have our enemies rejoicing. We are concerned with politics, not personalities," Mr. Allaun told the national conference of Labour women in Felixstowe.

"The Labour Party has traditionally been a left-right centre federation. That is its strength. Any move by one flank to savage the other would do us great harm."

Mr. Allaun's plea followed some left-wing criticism of Mr. James Callaghan's weekend speech warning trade unions not to use their industrial power to try to destroy the Tory Government.

He told the conference that "every injustice" perpetrated by the Tory Government would be resisted "every inch of the way."

"Some of their worst attacks on working people can be averted and, by united opposition, we can all the sooner offer an alternative."

## Tories stress educational choice

THE Government was not prepared to stand by and allow destruction of schools which had proved their worth, Mark Carlisle, Education Secretary, said yesterday, opening the second reading debate on the Education Bill.

The Bill scraps sections of Labour's 1976 Education Act requiring education authorities to reorganise secondary schooling on comprehensive lines.

It restores to local authorities the right to choose the kind of secondary education they want in their own areas, said Mr. Carlisle.

"Its sole purpose is to remove the compulsion placed on local authorities and governors of voluntary schools to reorga-

nise their secondary schools on comprehensive lines.

It neither forced the reintroduction of selection nor re-elected Government hostility to comprehensive schools. Nor did it prevent local authorities from switching to a comprehensive system in the future.

"It is our belief that local authorities and local people, and not Government, are best placed to determine the most suitable form of secondary education in their area," said the Education Secretary.

The Bill was attacked as "short, mean and brutish" by Mr. Gordon Oakes from the Opposition front bench. "I am contemptuous of this squalid and venomous little Bill."

It fully expressed the Tory philosophy of privilege for the

few and hardship for the many. "It will create two nations socially," he said.

The Bill was running against the mainstream of the country's educational system and would undermine that system, said Mr. Oakes.

Liberal education spokesman Alan Beith (Berwick on Tweed) accused the Government of "looking for a way of striking an anti-comprehensive posture without actually doing or saying anything in particular."

It was seeking to "provide a sop" to its own members, and a number of local authorities who wanted to be able to maintain their anti-comprehensive posture.

He would advise his colleagues to have "nothing to do" with the Bill, Mr. Beith said.

## European MPs brush up their political skills

BY ELINOR GOODMAN

BRITAIN'S newly-elected European MPs will assemble in London today for some basic instruction in political reality, Parliamentary tactics and party manners, all wrapped up in a message welcoming them to the big happy club of British politicians—albeit as junior members.

Both the Conservatives and Labour are holding meetings today which they hope will squash any lingering ambitions the new European members might have about building

independent empires of their own in Strasbourg and resolve some of the many questions which this month's direct elections failed to answer.

The 60 Tory MPs who, though elected by only a small proportion of the electorate, have enough noughts after their majorities to make the average safe Westminster seat look like a marginal, are likely to leave their meeting in a rather sober frame of mind.

Mr. Jim Scott-Hopkins, the

man nominated by Mrs. Thatcher to lead the Conservative delegation during the European Parliament's first session, will explain as gently as possible that being a European MP is really quite hard work and that the rewards are hardly generous. There must be no skipping off early on Friday mornings when the new Parliament meets.

By contrast, the 17 Labour MPs, whose treatment by the party executive during the campaign left them with a

smouldering sense of their own insignificance rather than any illusion about their own importance, may leave their meeting feeling marginally more important than when they went in.

Leftwingers on the executive once restated the whole idea of direct elections to the European Assembly, but now are in the new group an opportunity to teach Westminster MPs a lesson in democracy.

Since there are no constitutional rules governing the relationship between the executive and the European Parliamentary group, the executive's EEC liaison group hopes that it will be able to create a model relationship which will prevent the European delegates picking up what they regard as some of the Westminster MPs' bad habits—like ignoring conference decisions—and serve as an example to Westminster.

Thus, in a precursor of the way the executive is now trying to get its hands on the money given to Labour in Opposition, it has already ensured that Transport House has a role in deciding how any funds the European MPs get for research are spent.

In the same way, the Cabinet was denied its right of veto over the contents of the European manifesto in much the same

way as the Left is now arguing that it should be adopted for the drafting of the Westminster manifesto.

The direct elections produced almost as many new problems for Britain's political parties as it solved; the most fundamental of which is what to do with the MPs now they have been elected.

There are also numerous practical difficulties which the MPs themselves feel must be solved if they are to have any influence in Europe at all.

At present the European MPs have no right of access to the facilities of the House of Commons.

There is also the delicate question of money. Most would-be European MPs recognised long ago that a seat in Strasbourg would not provide a quick ticket to riches. But most hoped for a better deal than they now seem likely to get.

As things stand at the moment, they will get the same salary as a Westminster MP, plus expenses from the European Parliament for staying in Europe and travelling to and from the Parliament.

They will not, however, be recompensed for travelling round their constituencies—and given the size of some of these, this means the loss of

several hundred pounds, at 13p a mile, during the course of a year. Nor will they get the money Westminster MPs get for travelling to and from Westminster.

With admirable modesty, Mr. Scott-Hopkins has suggested that perhaps European MPs could be accorded the same treatment as the wives of Westminster MPs and be given 15 rail warrants a year for travelling to London.

The proposed relationship between the leader of the Tory European delegation and the leader of the party in Westminster is equally vague.

Mr. Scott-Hopkins, who was Mrs. Thatcher's nomination for the job when her favourite candidate failed to get adopted for a European seat, will presumably report back to her on an informal basis but the European delegation as yet has no official voice in Cabinet.

The subject is complicated by the fact that the House of Commons has not yet debated the House of Lords' recommendation that a new grand committee should be set up to discuss European matters with members appointed from both Houses in Westminster, plus the European delegation.

Surprisingly for a party which was once so hostile to the whole idea of directly-elected Euro-

pean MPs, the Labour Party—or to be precise, one small bit to the left of it—has already gone some way to ensuring that the European delegation do not start building an overseas empire.

All European candidates had to agree that they would not use the rules of the European Parliament as an excuse for ignoring conference decisions and all the MPs are being invited to attend conference so that they can hear the voice of the Labour movement.

But the new European MPs in both parties are already showing signs of independence and, for all their ignorance of Parliamentary behaviour, behaving like fully paid up scheming MPs.

A suggestion that someone else should run against Mrs. Castle for the Labour leadership has had to be sat upon from above while a lobby to make Mr. Basil de Fombas leader of the Tory delegation in the next European Parliament has apparently already begun.

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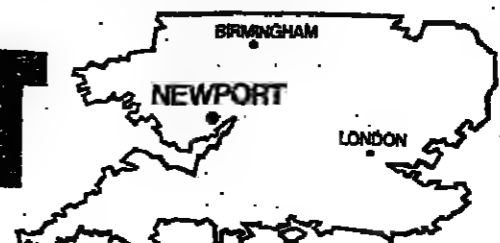
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NEWPORT

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When Mrs Marion Gibson first planned the evening's meal, nothing could have been further from her mind than hot-plate flambé.

In fact, the family dinner that night had started life as steak and chips.

But, by 6.20, there had been a dramatic change in the menu.

Moments earlier, the oil in the chip pan had been bubbling away quite merrily: so it was with every confidence that Mrs Gibson turned her back to lay the table.

It was then that the oil reached boiling point and instantly caught light.

Within seconds the entire cooker was ablaze.

Thankfully though, the fire brigade arrived in time to drown the kitchen, before the flames had a chance to take hold in the rest of the house.

The following morning, with the gloomy prospect of weeks of Chinese takeaways ahead of them, the Gibsons took little comfort from the fact they were insured.

After all, as everyone knows, it takes more than a completed claims form to restore life



# The following day, we gave Mrs Gibson another chance to burn the dinner.

to some sort of normality after a serious fire.

It takes people who are prepared to put themselves out.

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Barely an hour after reporting the fire to our local branch office, Mr Gibson found himself opening his front door to one of our claims inspectors.

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Gibsons' doorstep.

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But then, there are always exceptions to the rule.

Being down to earth insurance folk, we would never claim to work miracles.



Though Mrs Gibson would doubtless disagree with us.

**We won't make a drama out of a crisis.**

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOFERS

## ELECTRONICS

### Board testers perform two difficult jobs

MEMBRAN IS pushing hard into the automatic test equipment market with new systems for hybrid digital/analogous printed circuit boards.

MEMBRAN systems offer a universal test capability, providing both functional and in-circuit testing of analogue circuits, as well as high performance digital testing, and the builder claims its new units to be the first to offer this range of test facilities with performance matching the speed and complexity of modern circuit designs, in a single test system.

Bit-slice microcomputer controllers developed by Membran for its earlier range, is at the heart of the new units. Many options are available on the two basic variants, MR777 and MR7776 with respectively three and six highways.

Two new software packages are Mediator, a structured main level programming language for hybrid functional testing, and Intact, a comprehensive language for in-circuit testing.

Digital test facilities include

## INSULATION

### Meets new standard

IN ANTICIPATION of new insulation standards specified in the Building Regulations, Plaschem has brought out a new product range.

In all these products, "Aerotherm" foams of Plaschem's own formulation and manufacture are the common component.

The range covers both building and industrial plant requirements and has been formulated to meet the 0.8 watt per square metre and degree

ability to test LSI and microprocessor circuits with parallel test patterns at up to 5MHz. When using algorithmically generated test patterns, new live data compression module compresses the resultant data on-line and permits the use of signature-analysis techniques.

Analogue facilities for both functional and in-circuit testing centre in a selection of high quality instrumentation, controlled through the IEEE 488 interface. The switching matrix provides the interface between the instruments, and the unit under test. Up to 256 universal test points can be assigned at will, at any point in a test program, between the digital and analogue subsystems. Up to a further 256 analogue-only test points are available.

Membran's new equipment recognises the rapidly increasing need for reliable and faster testing methods as the complexity of the printed circuit boards used in so many industries continues to grow.

Membran, Ferndown Industrial Estate, Wimborne, Dorset BH21 2PE. Ferndown (0202) 810553.

## TRANSPORT

### Avon designs skirts for U.S. hovercraft

ONE OF the UK's leading manufacturers of hovercraft skirts, Avon Industrial Polymers of Melksham, Wiltshire, has completed its first order from the U.S.

The company was asked to manufacture ten skirt "fingers" for a new type of vessel developed by Bell-Halter of New Orleans. Each finger is 25 ft wide, 15 ft high and weighs 2 cwt. Avon was also given an order for major components for a spare stern seal which is 30 ft wide, 10 ft long, 6 ft high, and weighs one ton. This is believed to be one of the largest hovercraft seals to be made.

The new Bell-Halter vessel is described as a twin-hull catamaran-type surface effect ship (SES) that can operate at low speeds or as a hovercraft at higher speeds. When hovering the vessel rides on a cushion of air trapped between the hulls by flexible bow and stern seals. Centrifugal fans provide air for the cushion.

Bell-Halter already has a 48 foot hydrographic survey boat under construction for the U.S. Army Corps of Engineers and Avon has also received an order to supply seal components for this craft.

Bell-Halter is a joint venture (formed to pursue the surface

effect ship's market) by Bell Aerospace Textron, a division of Textron Inc., and Halter Marine, Inc.

Avon has now been appointed exclusive supplier of skirt material for all Bell-Halter craft.

### Diesels by Milan group

TURBO-CHARGED diesel engines, aimed at British OEM markets, which increase horsepower per litre by up to 30 per cent over conventional units—while at the same time reducing fuel consumption by 9 per cent—have been launched by SAME of Italy.

The 1036 PT models embody a 160 hp six cylinder, four stroke, direct-injection diesel engine, based upon the existing SAME in-line series, fitted with turbo-charger and intercooler. Its 105 mm bore cylinders have heat-treated aluminium alloy cylinder heads, with re-designed piston rings shaped for low oil consumption. Better cooling facilities required by turbo-charged engines is achieved by spraying a large amount of oil under the pistons,

fitted a larger aluminium oil radiator, and a larger diameter fan.

New injection equipment—designed in conjunction with Bosch—uses special in-line immersed pumps which can increase the injection speed up to 60 per cent. In operation, exhaust smoke emission has been shown to decrease between 50 to 80 per cent—and the engine noise level abatement over conventional engines is 3 dBA, much more than the numerical indicates.

SAME is making two models available—one for stationary industrial use and one for automotive applications where the

turbine is situated on the front part of the engine to ensure that the silencer is as far away as possible from the driver's seat.

These engines are available direct on a three-week time scale. U.K. specifiers can obtain SAME engines at a figure 25 per cent less than normal, until such time as a U.K. dealer is appointed. In the meantime, spares are available ex stock through Samestrac of Thirsk, Yorkshire—U.K. distributor of SAME agricultural tractors—all of which incorporate SAME diesel engines.

SAME S.P.A., Piazzale Accursio 18, 20156 Milan, Italy.

### Safety of crash helmets

APART FROM leading helmet manufacturers and polymer suppliers, Manchester Police is also co-operating in a two-year research project based at Manchester Polytechnic, which is aimed at increasing the safety of motorcycle crash helmets.

Leading the team is Dr. Philip Marshall (head of the Polymer Engineering Research Group at the Polytechnic) who is a leading specialist in the

field of fracture mechanics.

Funding this project is a newly formed Helmet Research Group whose founder members include Kangol Helmets, Stadium, Theftford, Moulded Products, Bayer UK, DSM and Engineering Polymer.

The Manchester researchers will investigate not only UK-produced but also imported helmets.

More from Bayer UK, Bayer House, Richmond, Surrey.

## COMPONENTS

### Electrical firm plans growth

THE WIRING accessory manufacturer, J. A. Crabtree, of Walsall, has announced a £2m expansion programme which will include a new purpose-built factory of 82,000 sq. ft.

Expected to eventually employ some 200 people, the plant will specialise in the production of sheet metal enclosures using the latest equipment for press work and metal finishing.

Contractors are J. J. Gallagher and Co. and work is expected to commence shortly, with a completion date of mid-1980.

## COMMUNICATIONS

### Faster news in prospect

WORK GOING on at the IBA Engineering Centre at Winchester, Hants, in which the Orbital Test Satellite (OTS) is being used to send signals between ground stations with relatively small dish aerials and low power transmitters, could eventually mean that outside broadcast news coverage could be arranged at much shorter notice than at present.

IBA says that although most OBs need only one or two temporary link hops, advance planning is nevertheless needed and can be extensive for long distances. There are frequently delays in reporting the event due to the forced use of film or locally recorded video, and carriage by aircraft.

The work is designed to evaluate television satellite links in the 11 to 14 GHz band and IBA has already developed a small fixed receiving station with a 3.5 metre dish and

## PERIPHERALS

### High speed floppies

EXCEPTIONALLY FAST, a new 5 1/4 inch floppy disc drive is being launched in the UK market.

There are two models of the Micro Peripherals Inc. drive—the MPI 51 and 52, respectively single-head and double-head units—and they are five times as fast as any other small drive currently available.

Developers assert since they have a track to track access time of 5 milliseconds. Reliability is high and speed stability is kept within 1 per cent. No mechanical switches are used. Optical sensors provide the appropriate signals.

All the MPI heads exceed the MPI head speed specifications normally quoted in the industry and are designed for double density work.

Both types are available in Britain from Rack Data, Rose Industrial Estate, Cores End Road, Bourne End, Bucks.

## QUALITY CONTROL

### Shows many defects

AN EDDY current test system from Hocking Electronics, 40, London Road, St. Albans, Herts. (0727 55424) is equipped with a storage cathode ray tube display that enables phase and amplitude vector signals from an investigative probe to be held for inspection and interpretation.

The probe induces eddy currents into the specimen and the signals picked up are modified in phase and amplitude depending upon defects in the metal, changes of thickness composition, etc. A balanced

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(06285 27117). Management of this group indicates that it is preparing to provide support for MPI disc drives right across Europe through a series of distributors selected for their knowledge of the techniques involved. The aim is to ensure that where there is a fault, the equipment will be up and running within 24 hours. Even in a worst case situation where the distributor is not able to effect a repair, the 24 hour norm is likely to apply through complete system replacement if necessary.

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bridge arrangement operating between 0.5 kHz and 2.5 MHz is used, any out-of-balance effects caused by the test appearing as a vector display. As the probe is moved around the defect it becomes possible to interpret the display in a precise manner. Frequency is shown on a digital read-out.

For example, cracks normal to the surface and those oblique to it can be clearly differentiated. Known as the D4A, the tester measures 280 x 215 x 320 mm and weighs 14 kg.

## METALWORKING

### Less noise from grinders

SIGNIFICANT FEATURES of a redesigned range of heavy duty, horizontal pneumatic hand grinders are low operation noise level and safety controls, both providing an improved working environment for the operator and other personnel in close proximity, says power tools division of Compair Industrial, PO Box 7, Broom Wade Works, High Wycombe, Bucks (0494 31181).

There are two models—4HGA version has a 4 in abrasive wheel suitable for operation up to 5,500 rpm, and the 6HGA a 6 in wheel grinder for speeds up to 6,000 rpm.

Operating speeds are carefully chosen, says the maker, to give the best cutting action of the wheels, which is consistent with the long life of the tool.

The grinders are designed for a variety of functions including fettling of welds and castings and for general purpose fabrication work.

## Long haul laser

AN ANNOUNCEMENT has been made by Hitachi of the development of a laser diode operating at 1.3 microns wavelength with rise and fall times of less than 0.5 nanoseconds and an optical output power of five milliwatts, enabling it, claims

the company, to be used at the bandwidth of one gigabit/sec. According to Hitachi the device makes possible transmission at 1 Gbit/sec over distances exceeding 50 km without a repeater, although the figure appears to assume loss in the optical fibre of about 0.5 dB/km, which nears the theoretical limit.

The company has developed a crystal growth and process technology based on indium gallium arsenide phosphide. Using this material in a buried heterostructure, an operating wavelength of 1.3 microns has been produced.

Operating temperatures between -30 and +50 deg C are possible, and the life under continuous wave oscillation at room temperature is estimated to be more than 10,000 hours.

Device is known as the HLP 5000 and it is to become available in September.

## OFFICE EQUIPMENT

### Makes plans easy to formulate

MABCO, visual systems specialist group, has designed two forms which considerably help in the installation of visual planning systems. They are a simple questionnaire and an easy-to-follow diagram layout.

The first question which usually needs answering when an executive is confronted with an in-company planning problem (for example, production control, staff training, work progress, vehicle maintenance, etc.), is where to go for advice on the best system to solve the problem. In large organisations there is usually a department able to provide literature on various planning systems—but still the executive is left with the task of sifting through it all and trying to decide from the mass of words and pictures which system is the one most suited to his requirements.

According to Mabco, all he needs to do now is complete a questionnaire and plan layout form which Mabco visual planning specialists will then study and possibly with further necessary discussion, suggest the most appropriate system to meet the user's needs.

Mabco's range includes all the major planning methods—laminated boards; magnetic boards; perforated plastic panels; channel systems and "T" card systems. It claims to be able to offer unbiased advice and as it designs and assembles all forms of made-to-measure plan boards, there is reason to think they have a unique service.

Mabco, 98 Crofton Park Road, London SE4 690 5775.

index cards conveniently slide in and out of plastic carriers.

With the Hadley Datas, a touch of the appropriate button shows selected information almost immediately in front of a perspex-covered screen. The information could be telephone numbers, part numbers prices, inventories, customer accounts, etc.

A three tiered 30-character board allows flexibility of combinations of letters' symbols, numbers, etc. Certain buttons can be utilised for the alphabet, others for special accounts, prices, inventories, etc.

Every unit includes pre-cut index cards and keyboard tabs. Datas is portable, free-standing, and operates either from two HP2 batteries or an a.c. mains adaptor. Its developers say almost every company or organisation has a need for at least one system.

Hadley Sales Services, 112, Gilbert Road, Smethwick, Walsley, West Midlands, B66 4PZ. 021 558 3535.

### Office unit works fast

FAST, portable printing/display calculators that provide 12 digit, quality print at a practical speed of 2.5 full lines per second—twice the rate of current handheld printers with a single printwheel which has to fly backwards and forwards—are among the new APF 600 range introduced by Brinlock of 109, Kings Road, Reading.

They incorporate Seiko 720 series full line printers and use

the ordinary 24 inch paper rolls available as standard throughout the office equipment trade.

Brinlock claims high reliability and suggests the units for office calculations with their six places of decimal selection, add, mode, and full dating and referencing facilities as well as percentage, total and subtotal keys, item count, and independent four key memory.

They can be used to print and display all calculations, print final results only or purely as display machines.

Brinlock is on 0734 594 555.

### Screen easy to read

CPT Corporation of Minneapolis is to launch in the UK next month (July) a word processor with black on white screen, and automatic hyphenation. Up to four of these units can be linked to CPT's new Rotary V printer, which incorporates the latest daisy wheel print element.

Half-page display screen and keyboard with a 10-key numeric pad, floppy disc drive and text editing are provided. Text moves up the screen line by line, and below the typing line is a three-line preview area which allows the operator to view upcoming text during revision.

Disc capacity is 300,000 characters, with horizontal scrolling to 160 character page widths and simultaneous printing and text insertion.

CPT Word Processing, Tucker Business Associates, 421 Edgeware Road, Colindale, London NW9 0HS. 01-300 7022.

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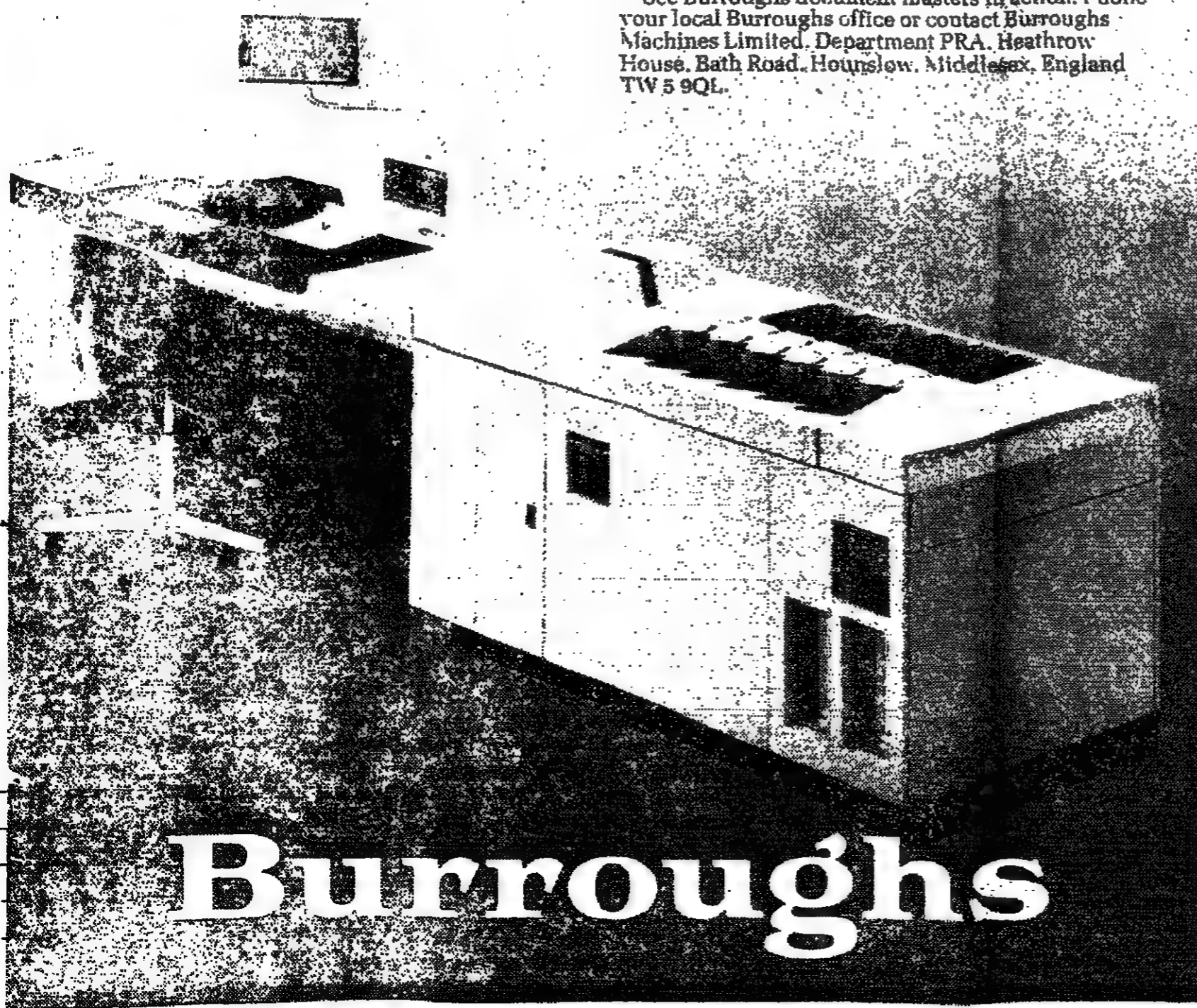
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# Burroughs

Jeff Smith

## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Robert Oakeshott on how the successful establishment of the Dartington glass-blowing company in Devon may inspire a similar operation in Spain.

## Devon re-exports Swedish skills

AN UNUSUAL two-way traffic between Devon and Spain is likely to develop in the next few years. For at a series of meetings held recently in Torrington, Devon, the Dartington Trustees, owners of Dartington Glass, and our visitors from the industrial co-operatives centred on Mondragon in the Basque country of northern Spain gained much inspiration from each other.

The Basque contingent was led by Francisco Montero, an industrial engineer from the Empressarial (or business promotion) division of the Mondragon bank, the Caja Laboral Popular (C.L.P.). Together with Lord Young of Dartington, who played a part in the launch of Dartington 12 years ago, he explored the possibility of establishing something similar to Dartington's highly skilled glass blowing operation in an existing future Basque co-operative.

At the end of the visit Mr. Montero was left with the impression that Mondragon would need Dartington's skills and experience in "high craft" manufacture and in cultural and educational activities, while Dartington—which is seeking to broaden its base—could benefit from Mondragon's industrial engineering experience. But Mr. Montero was left in no doubt that if Dartington

were to be recreated anywhere, though far from impossible, it would be a long and formidable task. That appraisal was not merely the result of informed common sense and conjecture, but was also based on Torrington management's experience. For Dartington Glass, of course, is itself a transplant.

From its inception in 1967, it has depended—and continues to depend today—on the skills and techniques of a core of Swedish master-glassblowers brought by the Dartington Trustees from the Småland glassmaking district of southern Sweden. There were 30 Swedish glassblowers when the enterprise started and their numbers reached a maximum of 30 two years later. There are still 15 in today's total labour force of 200 and though the first of the locally-trained Devonians has lately achieved the grade of master glassblower, most of the remaining Swedish contingent is expected to stay on, partly because they simply like the place.

The top management is also Swedish. It started that way and it remained so when Mr. Jan Mollmark took over as managing director some 18 months ago. He has chosen other Swedes in his small management team. Altogether the whole project is an astonishing

example in contemporary Europe of a successful industrial transplant and, of course, of imaginative rural job creation.

Just under half the workforce are members of glass-blowing teams, making the high-quality glass with which Dartington has established its reputation. There are seven or eight to a team and all are skilled. Each team has a deputy master, who is highly skilled and a master, or "maestro," who is even more so.

The Basque visitors were clearly astonished to hear that even in Sweden, and in families with long glass-blowing traditions, it would take at least seven years to acquire the skills and command the mystery of the craft which a master must have. In the Basque country, as it did in Devon, it would almost certainly take longer. Furthermore, older apprentices could not be expected to learn faster; quite the opposite. "No one can become a master who starts to learn the craft after 30. Sixteen or even 15 years are the best starting ages."

This long training time can only make the initial decision of the Dartington Trustees seem an even bolder stroke of "venture capital initiative-taking; or a more reckless one, depending on outlook. John Taylor, the trust's balanced, but far from

excessively cautious chief accountant, is thankful that he wasn't in his present job at the time because "I would have told them they were crazy." And it is true that seven years elapsed before a significant return on capital started to be shown. However, Dartington Glass has now been in reasonable profit for the past five years and was solidly so in 1978 when pre-tax profits of roughly £250,000 were earned on sales of £2.3m.

But there are non-financial returns from Dartington Glass as well. The feeling of well-being in the place where the glassblowing teams go about their business around the furnaces is especially marked. No doubt the youth of the workforce—average age 28—is a factor. So is the level of wages paid, almost certainly the highest for factory work in Torrington. But the crucial factors are more likely to be a real pride in the craft, and the fact that the work takes place in small teams and is not machine paced. Whatever the original intention of the Dartington Trustees they can hardly feel dissatisfied with their choice of enterprise. For glass blowing is one of the few craft activities which are best done in small teams and on the scale of a "manufactory."

Craft pottery, or craft book binding, for example, differ from glass blowing in these two vital respects.

The visitors from Mondragon seemed to accept, at the end of a long day in Torrington, that there are no short cuts in building up an indigenous team of master glass blowers. However, what also became clear is that there are possibilities for using intermediate skills associated with less high quality products. Roughly 10 per cent of Dartington's output is now accounted for not by blown but by centrifuge glass.

The skill requirements for this work are less exacting. One "gatherer" is needed per furnace but a good trainee blower might achieve the necessary standard in a year or so. And although a "maestro" figure would probably be needed within the management team of a centrifuge operation, the number of imported personnel needed to start such an enterprise from scratch might well be no more than two—compared with Dartington's original 20.

Clearly this possibility will be explored by the Empressarial division of the C.L.P. in Mondragon. But their record suggests that if they go in for the business at all, the Basque co-ops will aim to produce the highest quality glass



Jan Mollmark (right) Swedish managing director of Dartington

themselves. There must, therefore, be a real possibility that Torrington's population will one day include a handful of trainee Basques as well as Swedes.

On the other hand it also seemed clear, after the recent meetings in Devon, that the traffic is not all in one direction. Lord Young is working hard to persuade his fellow Dartington trustees to encourage the formation of Mondragon style co-ops in Devon. He has already persuaded them to start an operation to promote small businesses and supply venture capital for the South Western region in general and the North

Devon district in particular. It will open an office in Barnstaple on September 1. Though not allowed by the Bank of England to use the word "bank" in its title—it will probably be called simply "Dartington Company"—it will offer some, if not a complete range, of banking services. It is no secret that this new Dartington initiative has been largely inspired by the Trustees' admiration for the C.L.P. A group of the Trustees, including Lord Young, visited Mondragon last year.

It is now expected that there will be a second Dartington visit to Mondragon during the next few months and that the

party will include one or more of the staff men who have been recruited to manage the prospective Barnstaple venture. Lord Young is also hoping that they will return impressed by the good state of the industrial co-operatives they see there. Lord Young is also hoping that just as some highly specialised glass making know-how may eventually be transmitted from Torrington to Mondragon, so, in the opposite direction, some specialised metal working and engineering know-how might be transmitted from the Basque country to Devonshire; it is in metal working and engineering that the Mondragon co-ops have gained their highest reputation.

## Business students fail to bridge the Atlantic gulf

enne: St. Gallen Graduate school, Switzerland, one of Europe's leading business schools.

event: This year's International Symposium, attended by 200 students and 10 businessmen from all over the Continent, plus 23 university professors, politicians and 35 vets.

subject: "Strategies for corporate competitiveness," with sessions on such topics as "Liberal and Social Economic Order"; "Can our era survive without an idea?" "Social responsibility: a liberal economic setting."

reporter: Christopher Lorenz

The annual St. Gallen Symposium is a unique event: here else do hordes of top executives rub shoulders for free intensive days with a polyt collection of students? But rely do participants polarise on a fundamental battle over ideal or economic philosophy; or all, the event owed its gins to the St. Gallen dents' wish to show the busi- world that, in the after- th of the traumas of 1968, not

every student was a would-be Danny-the-Red.

Another reason for the relatively restrained tone of most of the discussions at St. Gallen is that the vast majority of student participants are studying business, and are therefore already on the executive ladder, with all its attendant values.

So when tempers became decidedly frayed on the final day of this year's symposium, it was a considerable surprise. The subject of the particular debate was the role of consumer and community pressure groups, and government regulations, in the business environment on both sides of the Atlantic. The antagonists?

On the one side, almost on her own, was Professor Anna Schwartz, best-known in Europe as Milton Friedman's academic collaborator in monetary and economic studies, but on this occasion applying her "free

market" principles to the role of "social responsibility groups"—and coming out with the provocative statement that the groups' basic doctrine "is alien to a liberal economic system," and "has connotations of the Klu Klux Klan." Under her particular attack was one of the aims of these pressure groups, increased government regulation of such things as the safety characteristics of cars, together with their exhaust emissions and their fuel consumption.

On the other side were the massed ranks of the students and Professor Schwartz's fellow panellists from the Netherlands and Switzerland: a professor, a lawyer, and two businessmen.

None of their earlier comments on business strategy, personal incentives, tax rates and the rest had suggested the slightest hint of "creeping Socialism"—as many Americans of Prof. Schwartz's persuasion would describe the argument that government regulation, encouraged if necessary by consumer lobbying, was necessary to keep the business community on the social straight and narrow.

Yet the two Dutchmen and their Swiss colleagues pointed to a mass of examples to support this case, including the energy-saving benefits of high European taxes on petrol, the need for tough drugs controls to avoid a new thalidomide disaster, and—invariably—the need for tougher official safety standards in nuclear power in the light of the Harrisburg accident.

The ensuing debate served several worthwhile purposes. It reminded the Europeans that the Atlantic still represents a major gulf in conceptions of the "free market," and that the "social market economy," that overworked term (especially in Germany) actually means something different from the classical "market economy" which Prof. Schwartz seemed to espouse. The discussion tested some of

Prof. Schwartz's theories—such as that consumers were perfectly free to reject products whose attributes they disliked; they did not need to be restricted in their choice by government regulation. To which an irate German student responded from the floor: "How was I to know, until experts told me, that the level of lead in petrol was harmful, and what choice of alternatives did I have until my government intervened?"

But the debate was also challenging to the Europeans, raising the question of whether the business community is doing enough to rebut the criticisms made by the consumer and community groups. Business gives

the impression of being "guilt-ridden, sharing the critics' conception that a society which has displayed enormous ingenuity in developing new resources and technology, from which rich and poor alike have benefited, is not a good society," complained Prof. Schwartz. She drew considerable applause when she called on business to do more "answering back."

Finally, and perhaps most important, the debate prompted the European participants to question the long-term logic of increasing "social" responsibility in business decision-making, and the sense of steadily encroaching government regulation.

Some of her arguments on this theme were hotly disputed, but by no means all of them. For example, she illustrated her point that governments lacked the foresight to make the right regulations by quoting supposedly "pro-consumer" regulations in the U.S. which had quickly been overturned by very real consumer opposition (car seatbelt laws, for example). To which the Dutch professor, Dr. Jan Kreiken of Twente University, retorted that just because certain regulations were ill-advised, it did not mean that regulation per se was wrong.

But Prof. Schwartz had a more far-reaching example. The 1973 engine emission standards had not only diverted engine

development from promising energy-saving directions, they had also effectively impaired the freedom of corporations to use their assets in what they considered the best interests of stockholders and creditors, she suggested. Changes in the rules created uncertainty about their property rights, and reduced the incentive for private investment in long-term projects.

Future economic growth and the improvement of welfare could only be harmed if people failed to realise the cost of the activities of the advocates of "social responsibility," she went on. The only way it could meet the costs of the advocates' demands would be to increase

costs and prices, with a harmful effect on competitiveness and employment.

Going still further, she warned that corporate attempts to behave in accordance with demands for social responsibility might bring about the demise of the corporation as an organisational form, because of a downward spiral of inability to raise new capital.

If the corporation wants to survive, it should exert more influence on the design and content of government regulations, she concluded. And "if business is to remain substantially in private hands, distinct from the State, it cannot and should not accept general responsibility for problems outside its traditional economic concerns."

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## LOMBARD

Goodbye and hello  
to devolution

BY RAY PERMAN

TONIGHT we say goodbye to the Scottish Devolution Act, which in one form or another has been with us for more than three years and dominated two sessions of Parliament. The Conservatives, who were never sympathetic towards it while they were in Opposition, are more magnanimous in power and are considering allowing extra time for tonight's valedictory speeches before using their decisive majority to secure the repeal.

## Innovation

The Act, of course, has never been put into effect. It was a constitutional innovation in that it was the first piece of legislation to have built into it the requirement that 40 per cent of the electorate should vote for it before it could come into force and, in the event, only 33 per cent of Scottish voters did so.

So the Old Royal High School, in Edinburgh, which was prematurely and elegantly restored to its Georgian splendour as a home for the devolved Scottish Parliament, remains empty, at least until the new Government can find another use for it.

But just because the Scotland Act was never used, can we conclude that it never achieved anything? Now that its short life is ending, perhaps we can clear away some of the cant that surrounded it and examine what exactly its purpose was and whether it fulfilled it or not.

All the things that were said about improving the quality of Government, bringing decision-making nearer to the people, lightening the load on Westminster, and so on, are all very well, and perhaps the Act might have done some of these things. But they were not its raison d'être. That was, quite simply, to ditch the Scottish National Party.

When Sir Harold Wilson first thought up the idea of devolution legislation between the two 1974 elections, it was clear that his motivation was. The SNP was already making sweeping gains at the expense of the Tories and was creeping up on Labour's Scottish heartland. By the October 1974 election, Nationalist candidates were in second place in about 30 Labour seats, poised to rob the party of its parliamentary majority as soon as the occasion arose. Something had to be done, and the need was appreciated more in London than in Glasgow.

Labour's National Executive

Committee had virtually to rail-road the Scottish party into accepting the need for devolution at a now infamous special conference. As soon as the legislation was passed, Labour speakers started preaching against the evils of separatism held out by the SNP, and contrasting them with the safe, reliable half-way house to autonomy offered by their own proposals.

The play worked well, perhaps too well. After reaching a peak in 1977, when the collapse of the first devolution Bill brought Labour into a crisis pact with the Liberals, SNP support began to slide. By the referendum on March 1 this year, Nationalist following had fallen so low that people could no longer see the need for an alternative.

At the general election (brought about by another devolution crisis, the Labour Government's failure to get the Act through the Commons) the SNP was reduced from 11 to two parliamentary seats. Since then things have looked black for the party! Subscriptions have declined with membership, and there have had to be redundancies among the head office staff in Edinburgh.

Only the success of Mrs. Winnie Ewing in this month's European election has relieved SNP gloom, and that victory probably owed more to her personality and reputation than to the continuing appeal of Scottish independence.

The Nationalists are now almost back to their position in 1970. But the SNP has had setbacks before and can rival the Liberal Party in the frequency of its reversals. No one doubts that its fortunes will pick up again; the question is, to what extent?

With another economic slump likely in Scotland, will this Government, like its predecessor, have a Nationalist problem to deal with half-way through its term?

By far the most successful

mount into a decisive lead a quarter-mile out.

There were no excuses for runner-up Pearsall, but I feel reasonably sure there might have been a different outcome had Pearsall not been French champion Philippe Paquet had the Boltron some way off the pace in the early stages and he then appeared to get Boltron unbalanced as he threw everything into his final effort a furlong out.

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## Stately home hostas now at their best

IT MAY seem a bad time of year to write only about useful plants, but my survey of the rhododendron last week has left me with a bad conscience. I have never said what I feel about that other mainstay of gardens in early summer, the hosta. There are many reasons. Hostas are plants you have to know for some while before you see them at their best. Their names are very confusing. Varieties cannot be counted on from one nursery to the next. In their early years their leaves are far less impressive than in their maturity. So you must be patient and allow them to develop.

American breeders have let loose many new crosses on the top end of the market, some of which are less interesting than their publicity implies. I have my favourites. But first, you must be sure you know how to grow them.

There is hardly a hosta which shows up well in sun and a dry soil. Nor are they plants which their best in ones and twos. They are at their peak now in public gardens of the National Trust where you can now see them after the fashion for mass hosta beds in the 1960s. They like to be heavily fed and manured. A starved hosta is more common than a satisfied one. The sight of its half-hearted leaves will make you wonder why I give it such space.

Before you plant new stock, dig some rotted manure round

it and top-dress it in its first spring with more. Feed it thereafter with liquid manure whenever you can spare the time. The richer the soil, the more luxuriantly most of the best varieties will develop their leaves. Hostas are the hardestiest plants with a tropical look to them. Be sure that you protect them against slugs by ringing them with slug pellets. Otherwise the leaves will be chewed into needless holes.

Hostas and beds of old-fashioned roses are a famous combination. Familiar though they are, I think that they remain excellent company. The hostas' young leaves, bright green on the heads before the roses' main crop. They flower simultaneously. The hostas' lilac white flowers are not conspicuous by themselves, but they are set off by the similar mauves and crushed purples of good Bourbon and Gallica roses. Afterwards, their big leaves and thick clumps of impenetrable roots clump out the weeds. In autumn, many varieties turn a bright yellow before the retreating leaves. This autumn colour is wrongly neglected.

The most spectacular, to my eye, is still the huge glaucous-leaved *Sieboldiana elegans*. Bought from a conscientious nursery, the word *elegans* carries weight. The leaves are larger and more deeply ribbed. On any scale, they are big and bold. But they are also a

superb shade of blue-grey, a truly glaucous plant. The lilac white flowers are in harmony with this cool colour in the leaf.

There is a brilliant use of it among white flowers and grey leaves in the white garden at Sissinghurst Castle, Kent. If you can find room for a big block of it in a half-shaded shrub border, you will be rewarded with a more lasting feature than any passing flower. No

plant, but it ought to be cheaper soon if you can wait.

There are several slow-growing varieties still on the margins of the market, though shown and decorated at the Wisley hosta trials as long ago as 1873. *Halcyon* sometimes turns up and is a worthwhile buy. It is a selected form, I believe, of one *Tardiana* which was itself a surprising cross between two varieties, one being the big glaucous *elegans*.

weed has a chance among its huge leaves. But you must plant it initially in clean ground.

Personally, I cannot see the charm in many American crosses called *Honeybells* and *Royal Standard*. Each has green leaves, a black mark in my book as the value of a hosta, to my eye, is the lighter colour in the leaves. The American pair will flower finely, however, and are both slightly scented. I would not bother with them. Instead, I would watch for the newest *Frances Williams*, whose broad, blue-grey leaves are marked with fawn. This caught my eye last year at a RHS summer show. Breckings Nurseries, Diss, Norfolk, lists it at £3 a

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## GARDENS TODAY

BY ROBIN LANE FOX

The attraction in *Halcyon* is the pointed shape to the glaucous leaf, like a heart. It is not too large, but when well fed it does not show any brown spotting late in the season. My plant of *Halcyon* is a lone specimen, but it is now nearing its best. Not a fast grower, it is one, none the less, I commend to you, and to any nurseryman who wants to follow up the Award of Merit given it by the RHS.

Among variegations, I consider three to be above all others. *Fortunei picta*, or *Albopicta*, has just begun to pass its best. But in late May, the season of *Chelso* Show, its young yellow-green leaves are irresistibly fresh. They mix

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Unit 144. 7.30. Mat. Sat. Sat. The Singing Man. Spectre of the Rose. Scherchen. Unit 145. 7.30. Mat. Sat. Sat. The Singing Man. Spectre of the Rose. Scherchen.

Unit 14

## Festival Hall

## Berlin Philharmonic

by DOMINIC GILL

The South Bank as a theatre, gapping crowds at the artists' entrance, stall seats at £20 each, ticket-touts hunting in packs—a visit from Karajan and the Berlin Philharmonic these days is as much a wagon as a band. The concert itself, the first of two given by the Berliners this week, and recorded for broadcast significantly not by the BBC but by Capital Radio, offered barely one hour and 10 minutes of music: short measure, or proud evidence that a diamond's glitter depends on its cut, not its size. The last answer, no doubt the correct one: even if diamonds, sad to confess, are not my favourite precious stones. There was a thrill of recognition none the less, as the orchestra move into gear under Karajan like a beautifully oiled machine, and of admiration, for a standard of excellence, and smooth, finely-knit working, rarely heard from any British ensemble today. But the gears are not all of the music. Karajan's first piece was Beethoven's triple concerto—good to hear occasionally, though it may be first-rate stuff, but second-rate Beethoven. The three young soloists, the 16-year-old violinist Anne-Sophie Mutter from Germany, the Franco-Chinese cellist Yo Yo Ma, and the brilliant Soviet pianist Mark Fletter, threw themselves into the score with vivacious heart,

and time and again found themselves set against that towering wall of Karajan's accompaniment, smooth, dapper and dry. Karajan is a conductor who has elevated exquisitely-tailored grooming into an art form: the king of musical dandies. In his hands, deep rubies turn to diamonds, cotton to silk. The sonority, the marvellous veneer of sound, he drew from his players in Strauss's *Also sprach Zarathustra*—was unfailingly impressive, the string tone with its depth, weight and variety of dynamic modulation especially mounds, sad to confess, are not my favourite precious stones. There was a thrill of recognition none the less, as the orchestra move into gear under Karajan like a beautifully oiled machine, and of admiration, for a standard of excellence, and smooth, finely-knit working, rarely heard from any British ensemble today. But the gears are not all of the music. Karajan's first piece was Beethoven's triple concerto—good to hear occasionally, though it may be first-rate stuff, but second-rate Beethoven. The three young soloists, the 16-year-old violinist Anne-Sophie Mutter from Germany, the Franco-Chinese cellist Yo Yo Ma, and the brilliant Soviet pianist Mark Fletter, threw themselves into the score with vivacious heart,

Every crease was pressed, and pocket buttoned—no accident indeed that in this orchestra even the third flute is a Professor Doktor. The enviable hush of the sound apart, however, it was not a specially remarkable reading. Even those who actually like the music, and can never hear enough of Richard Strauss, will have been struck by the performance's chilly elegance, paragraph joined to paragraph with sumptuous efficiency. It blew along with a powerful and persuasive breeze, but there was little all the same of perfume, or magic, in the air.



Robert Tear with Donald Gramm (right)

Leonard Burr

## Covent Garden

## The Rake's Progress

by MAX LOPPERT

The Royal Opera, which rigorously contended for the world premiere of Stravinsky's opera in 1951, has at last its own first staging. While there has hardly been a surfeit of performances in Britain, Glyndebourne (in the early 50s, later with the 1975 John Cox/ David Hockney collaboration) and the Sadler's Wells Opera from 1962 and briefly at the Coliseum) have ensured that contact with a beautiful and crucially important work was never lost for long. Even so, there was a pressing need for another repertoire *Rake* in London; and if, on account of the uneven quality of Elijah Moshinsky's production, Monday's performance was not quite the triumph to which one had looked forward, there were excuses for cheering all the same.

In *The Rake's Progress* the music matters most—Auden-Kallmann would have been the first to agree—and it was Colin Davis's handling of it that provided strongest grounds for satisfaction. A score that might have been swallowed up in a theatre the size of the Royal Opera House sounds at home there. Mr. Davis's feeling for the peculiar beauties of the scoring—the balances of hard edges and limpid colouring, the evocation of worlds pastoral, urban, and supernatural in the flicker of flutes or the skeletal rattle of a harpsichord—was one of the glories of his days at Sadler's Wells; but his achievement in making almost everything tell in the larger house should not be underestimated. (When the music failed to tell, as it did at the start of the Brothel scene, that is because of the racket of roaring boys and whores encouraged by the producer, a sin against a score without a superfluous bar that demands a speedy atonement.)

First-night tensions were recognisable in the lapses from an ideal standard of orchestral poise: there were some decidedly non-pastoral above squawks, and the trumpet accompanying Anne into town belonged properly to Don Pasquale in a provincial Italian opera house. The final scenes were superb: the sound of the low strings in the Prelude to the Churchyard scene seemed immediately to take an audience by the throat, and one

realised in full at that point the conductor's commitment to the work's seriousness, the culminating grandeur of the work, a commitment that had been implicit earlier on. Mr. Davis must also claim a little of the praise for the way the music appears now to have passed beyond the reach of familiar criticism—"pastiche," "dry," "stale," "cold-hearted" and the rest of the formerly inevitable parade of epithets struck one as simply impertinent when not ludicrously inapposite.

The commitment to the sense and the sound of the score on the part of the producer and a team of designers Timothy O'Brien and Tazena Fitch serves to make a certain. *The Rake* boasts the assertive dramatic intelligence, the gift for contriving ingenious solutions to dramatic problems, that one expects after the Royal Opera Peter Grimes, product of the same collaboration; the trouble is that ingenuity is sometimes applied with unnecessary readiness. The parody, the time-travelling, the simultaneous deployment and re-examination of the classical style, are already there, in the notes. To mirror them—as the designers have done with their false proscenium arch and their pseudo-baroque theatrical apparatus, and as the producer has done with his dissociative acting devices—risks a kind of artistic repetitionism at best, and yet another instance of Producers' Nudging at worst.

Certainly there are problems in staging the work (for a good account of them, see both J. W. Lambert's article in the *Newest About the House* and the section of the opera in Joseph Kernan's *Opera as Drama*); but it is hardly the difficult work implied in this incensation. Simpler *Rakes*—not just Hockney's elegant setting but student productions on a shoestring budget—have told us just as much, with less obvious contrivance. When the Poussin canvas that introduces the splendours and miseries of London drops down yet again (very noisily, at times), or when Tom Rakewell and Nick Shadow break into a soft-shoe number, or when Baba seizes a club and becomes a cave-woman from a comic strip, I feel the dramatic flow is being interrupted so that we can applaud Mr. Moshinsky's own allusive

cleverness. (A minor foolishness: what on earth is the point of denying the brothel scene a visible cuckoo clock?). If the churchyard and madhouse episodes move far more easily, and indeed generate considerable power, that is because they have been allowed to do so. Here, likewise, Robert Tear as Tom was able to rely on his natural strengths as a performer to give a very moving account of both the role and the music. Earlier, got up as a lumpy bookworm in a flaxen wig, he had to labour unfairly hard under production difficulties not of his own making—a Tom without obvious physical advantage may justify the frequent learned references of his lines, but not his own confidence in being of "constitution" sound, . . . frame not ill favoured. Mr. Tear's tenor was in the early stages of the evening too forcibly delivered, with insufficient attention to line and too much fractionally below-pitch intonation; and his diction was unclear. That the task of singing Stravinskyan English clearly is awkward but by no means unmanageable was shown, in the past, by Alexander Young's Tom, and on this occasion, by Donald Gramm's superb Nick Shadow—a model of precise playing and singing that needs to be heeded by all around him.

The pleasure of hearing Helen Donath's pure soprano at Covent Garden has been unreasonably delayed, as her debut as Anne made plain. Singing both unfailingly lovely and heart-felt compensated for demeanour a trifle hunched and angular—no doubt she, and the whole production, will soon up very shortly. Patricia Johnson did not sound wholly comfortable in Baba's music, awkwardly written across the registers in a way that demands a Stignani (who was in fact Stravinsky's voice-type for the role). Good, firm performance by Robert Lloyd as Trulove and the impressively statuesque Patricia Payne as Mother Goose. John Dobson's vivid Sellem is obviously first cousin to Offenbach's Spalanzani. Among the many delights of *The Rake's Progress* is the small one of being reminded just how much meat there is in even the briefest of its supporting roles.

## Television

## In the name of the Father

by CHRIS DUNKLEY

In June 1962 Private Eye published one of the most memorable of all its photo-caption covers. The occasion was the opening of the new Coventry Cathedral, the picture showed that immense Sutherland tapestry, the organ pipes and lights, a phalanx of clergy and choristers in their vestments, and a packed congregation with one member saying "All right God, you can come in now." It has always put me in mind of television's treatment of religion.

Owing to the structure of our broadcasting organisations, the relative scarcity of television channels and therefore time on the air, the competition produced by the BBC-ITV system, and the consequent drive towards audience maximisation, the tendency over the years has been for television to do to religion what it has also tended to do to serious literature, news, current affairs and sport: turn it into light entertainment.

Yorkshire Television's *Stars On Sunday* which ended its 10-year run last month often seemed to exemplify this tendency at its most extreme: entertainers with big show business reputations and serious looks on their faces sang sentimental songs in which the religious content was to say the least obscure, and similarly famous "personalities" of one sort or another read or talked ponderously about matters which could be considered "religious" only in the sense that everything in the world is "religious" if that is the way you want to see it.

As one who does not believe in the supernatural in any of its various supposed forms, this business of trusting God (or gods) into a subordinate position behind the schmalz has always interested rather than worried me. But most interesting of all, perhaps, has been the absence of protest from those who do profess to believe in a god. The lack of objections even to such blatant commercialisation as the advertising of its own centres at the end of *Stars On Sunday* suggests that in this as in so many areas television has got its estimation of mass popular taste just about right.

The most popular programmes in this genre bear out the suspicion that for the English in particular, if not for all the British in general, "religion" nowadays consists mainly of a Betjemannesque regard for church architecture, a liking (without much expertise) for hymn singing, a dotting of affection for pink-cheeked choir boys in big white collars, and a vague respect for the trappings and solemnity of the church service, with God appearing very much as an afterthought if at all.

Consider, for instance, *Comic Sunday At Christchurch*, the series from Southern Television which has replaced the scruffy *Stars On Sunday*. It opened last week with popular singer Vince Hill dressed in an emerald green safari suit and grey roiled necked woolly, with a radio mike in his hand, tapping his foot as he delivered one of the catchiest little numbers for which he is well known. Religion was supplied by shots of the church interior and by the pained look on Hill's face, relieved by the occasional little sad smile. Sunday, you see, had come.

The song was followed by a much needed apology for the poor sound quality which, however, begged the question why there had been no similar apology the previous week when the sound of Benjamin Luxon singing "Hosanna in the highest" was so far out of synch-

nisation with his presumably mimed lip movements that the poor man looked like a dummy goldfish operated by an inept ventriloquist.

Last Sunday Hill's first song was followed by Anthony Quarles' reading from a book of aphorisms—complex "Love grows out of our acceptance of ourselves"—and then Hill's second song which contained the interestingly rhymed refrain "I won't let the evening get me down/Now that you're around." For this singer had changed into maroon blazer, open necked yellow shirt, and cream trousers. This time soaring violins and a studied glass window provided "religion".

After his third song—"Baby don't let it mess your mind, in and Out Circles," sung in a fetching outfit of blue and white pullover and blue slacks—a man in purple, presumably Bishop John Taylor (the may have been identified while I was busy with my notebook) peered curiously into the lens and asked "What is the fear that prevents us loving completely?" concluding that "We never can forget the helplessness of being a tiny baby."

Television's so-called "God Slot" is supposed to have been abandoned some time ago, yet it seems that the two main channels still dare not schedule church programmes except as like against like. Thus at exactly the time that *Comic Sunday* is transmitting on ITV (8.40 to 7.15) BBC 1 puts out *Songs Of Praise*, or, starting last week, *Your Songs Of Praise Choice* which is billed as a "New Series" but appears to consist of Thom Hird in studio linking clips from old programmes of hymn singing.

This programme does at least have the grace of Thom Hird's utter honesty. Between one sequence combining pictures of little calves and "All Things Bright And Beautiful" last Sunday and another involving "What A Friend We Have In Jesus" from the Salvation Army at Coverack, Miss Hird (who also offered a little homily about the security of the Lake District where, she confided, she did her courting—"You don't need to go abroad, do you?") said:

"I expect there are a lot of you watching tonight who don't go to church. You may not even think of yourselves as Christians. But I bet you still like the hymns you remember from childhood. And there you have it."

As one of the non-church going majority and furthermore an irreligious viewer, such shilliness is of no great personal concern to me. One can quite see how a homespun concoction of sentimental popular songs and soothing stories presented against a vaguely ecclesiastical background might bring comfort to some viewers, particularly the elderly.

What does seem rather odd, however, is that the churches appear quite unaware that such programmes can only ultimately

bring them into disrepute with the thinking public since they clearly have as little to do with the sinews of any real organised religion—faith, ethics, discipline and so on—as has *The Dandy*: Mystery.

That is a rather jolly drama serial from Granada which is being transmitted at 3.30 on Sundays apparently because the central character, played by Michael Craig, is a vicar. Since the vicar is an ex-policeman and since the plot is concerned entirely with the valuable "Dandyke Cup" and not even with the sort of moral problems which Granada's old *Ides of March* series featured, it looks suspiciously, and quite enjoyably, like caps and rubbers by another name.

It must be added that there are, of course, two series which do deal with moral questions: BBC1's *Henry Of The Moor* and ATV's *Supernatural*. They are similar in several respects: six weeks ago they even covered precisely similar subject-matter: *Henry Of The Moor* because it looks policeman about re-examining their beliefs with the demands of the job. Both are admirable series, *Henry Of The Moor* because it deals straightforwardly with some perennial conundrums—the place of the clergyman in the modern world—and *Supernatural* because it has one of the sharpest and most stringent reporter/interviewers anywhere on television.

Yet if the hymn programmes are too much like light entertainment to be called religion, these two series tend towards social studies (though to be fair *Supernatural* works from pretty strictly Christian assumptions). Barring the religious hedge-bromance of *The Henry* School, what television lacks now and has lacked in all the years I have watched, is a programme devoted to the fundamental questions about religious belief: Does a God exist? If the idea of a God is necessary to explain the creation of the universe, is it necessary to explain the creation of that God? What is faith? If God is love, who made morality? Are the Gods of different faiths facets of a single phenomenon?

Tangential debates such as the nature/nurture argument (does genetics or upbringing count most in moulding us?) crop up all the time on television. *Horizon* recently claimed that in sex it is genes that really matter. On the first of London Weekend's *Question Of Sex*, Anna Ruchman predictably claimed that it was upbringing. The religious view on such a subject would cut very little ice with me, yet it is surely a crucial consideration for anyone with religious faith.

Even a non-believer might be helped in the pondering of such matters if television would only allow the idea of God in without having to wait for all the lights to be switched on.

## 'The Family Reunion'

*The Family Reunion*, by T. S. Eliot, in the production by Michael Elliott for the Manchester Royal Exchange, opened last night at the Vaudeville Theatre. Starring Edward Fox

it was very warmly reviewed by B. A. Young when it was presented in Manchester, and described as "sheer magic" by Michael Coveney on its move to the Roundhouse in April. Recommended.

## Theatre Royal, Drury Lane

## A World of Wisdom

by MICHAEL COVENEY

The house for Norman Wisdom's show on Monday night was more than this. It was positively anorectic. Even he onstage hand were nodding off as the little man, who resembles a jockey jockey in more ways than one, battled against the insuperable odds of bullying straight man, Tony Byrne, a rude brass section and massive public indifference. The whole thing is like a lightmarish Anthony Newley how in which a self-pitying clown with an IQ of about 100, 4 rambles repetitively on about his right to entertain an audience. Will this tattered tale, failure, in the words of one of his many name-casting songs, transform himself into a sophisticated success? The answer is: cruelly ironic.

I remember laughing a lot in a silly Wisdom film *The Quare Fell* in which our hero, in the pretext of joining the army, kept falling over and kicking his tongue out. But I was about ten years old and it was a wet Wednesday afternoon in Ramsgate. There is no unrel with Mr. Wisdom's cleverness in the part: he has after all, a hunch of the British Film Industry, such as

it was, for almost 20 years. But a one-man show demands discipline, shape, a sort of brash humility, and above all, style. Mr. Wisdom, still falling over and sticking his tongue out, falls on all counts. Despite his trim figure, ingratiating smile and blithe unawareness of his own shortcomings, the result is a fatty hotch-potch of the sort that might have been good for a jockey evening out in an unfashionable resort. At Drury Lane, the impact is sadly second-rate.

Not only does Mr. Wisdom mix his diluted Jerry Lewis act with pabid imitations of an eccentric dancer, he reveals a fatal tendency to burst into songs by Bricusse and Newley. Mr. Payne is not as stern a stooge as was Jerry Desmond, namely the *Satanstoe* Stevens dancers as well-drilled as the Rockettes of the Tiller Girls. They are, however, a pleasant relief from the excruciating bid for our sympathy made by Mr. Wisdom's very little line of disco symphets, all stockinged bottom and protruding hip. The show is at Drury Lane for two weeks, which sounds to me like a generous run, given the circumstances.

## Two Sadler's Wells premieres

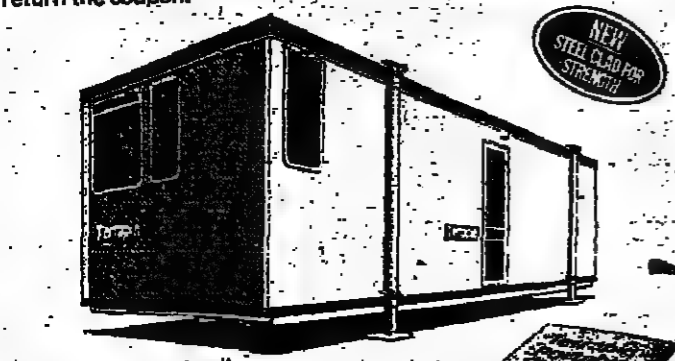
Sadler's Wells will follow its season at the Edinburgh Festival with two one-act ballets on September 9: Kenneth MacMillan's *Flower* and David Bintley's *Love And The Street*, to be premiered at the

Festival. The season also includes the first London performance of Sadler's Wells Royal Ballet of Kenneth MacMillan's *Flower* and David Bintley's *Love And The Street*, to be premiered at the

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## Elizabeth Hall

## Twelve cellists

In an ideal world, each orchestra would sprout subsidiary chamber ensembles, quartets, trios, to refresh and maintain the players' corporate standard. The Vienna and Czech Philharmonics boast a number of fine string quartets in their ranks, and Berlin and Vienna each have famous octets (based on the instrumentation of Schubert's work). Less predictable, and so more unexpectedly enjoyable, the 12 cellists of the Berlin Philharmonic have been giving recitals as a chamber ensemble since 1972.

On Sunday night they made their British debut at the QEL, presented by the Park Lane Group in association with the Goethe Institute. The programme opened with the only arrangement of the evening, a Suite in D by the seventeenth century German David Punk. It was not a particularly original or interesting work, but it served to introduce the performing standard of the group. The unanimity of bowing and vibrato, the careful matching of tone colours, are to be expected in any department of a great orchestra's string section; but the subtle gradations of dynamics and inflections of phrasing were exceptional by any standard.

Julius Klengel's Brahmsian Hymnus op. 59 showed the ensemble's wide range of rich and mellow tone colours, redeeming a pleasant but

mediocre composition: no amount of subtlety or skill could save the cathartic triteness of Villa-Lobos's *Bachianas Brasileiras* No. 1. Two works were commissioned by the cellists: *Melodica Rhapsody* by the Austrian Helmut Eder is a nicely varied, skilful work, using a range of sul ponticello effects, high harmonics and pizzicati to excellent ends. In some of the densely wrought chromatic passages the overlapping harmonic spectra of 12 equally rich instruments produced a kind of resonant overload, and the cellists suddenly sounded like an accordion—not I think, the texture Eder had in mind. But this was never the less a resourceful and intelligent piece.

Unfortunately, Boris Blacher's *Blues—Española—Rumba* Philharmonica was longer, more pretentious, and less successful. Though Blacher aired some engagingly silly ideas, the work was only sporadically composed and his sequence of events refused to cohere into an overall shape. One's disappointment in hearing the piece was reinforced by the programme note, which informed us that works by such interesting composers as Iannis Xenakis and Karlheinz Stockhausen had been written for the group. It's a pity that neither of these composers' pieces, nor Consorts by David Rowland, could have been included in the programme. RICHARD JOSEPH

## Complete Berio Sequenzas at Bart's

The first UK performance of the complete cycle of Luciano Berio's eight *Sequenzas* is one of the features of the second St. Bartholomew's Festival of 20th century music from July 8 to 14.

This impressive concentration of lunchtime and evening concerts will include works by 28 British composers while recognising developments in Eastern Europe, Holland and the U.S. Andrew Morris, organist of the 12th century Priory church in Smithfield, has ensured a number of UK premieres in the festival.

There will be an opportunity to meet works by the U.S. composer Barbara Kolb in a Lontano Ensemble concert on July 9, and there will be several new pieces in a concert featuring computer synthesised tape the following evening.

Artists appearing include Georgy Pauk (violin), Peter Frankl (piano), Rose Andrest (guitar), Jean Gregson (soprano), and Robert Sherlaw Johnson (piano).

The festival box office is at Magenta Music, 33, Chalmers Park, London, N6 (01-340 6200).

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## FINANCIAL TIMES

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Wednesday June 20 1979

## Bad news for UK industry

THE UK trade figures, which were greeted in the financial markets first with relief and then with some doubt, are in fact very bad. This was only to be expected, since they tell the still incomplete story of a period when production was disrupted by strikes and bad weather, while consumer spending was inflated first by excessive wage settlements and later by the rush to anticipate a well-publicised rise in expenditure taxes. The current account as a whole should improve sharply in the second half of this year—though the figures will actually be worse than the truth for some time.

## Oil account

However, while a return to balance, and probably to modest surplus, will no doubt confirm foreign holders of sterling in their favourable judgment, it may be of very limited comfort to British manufacturing industry. This is because the oil account, which has already shown an improvement of about £800m in the first five months of this year compared with the second half of 1978 will improve much more strongly in the second half of the year, due to a combination of higher prices and rising output.

The improvement on oil account for the year as a whole compared with 1978 is now estimated by Morgan Grenfell at £3bn. If this figure is accepted (and it may be too high), then the official current account forecast issued at the time of the Budget—a deterioration compared with 1978 of about £1bn—means that the balance of trade apart from oil will be worse by £4bn.

This again is only the beginning of a continuing process. The oil account is now expected to move steadily into large surplus; if the current account as a whole remains near balance, this implies an equally steady worsening of non-oil trade. On this projection, British industry will steadily lose market share, both in world markets and especially in the home market. This in turn means that the growth of manufacturing output will steadily lag some 2-3% per cent behind the growth of home demand. The much-remarked gap between demand and manufacturing growth in the last year is not an accident, but a likely trend, at any rate on present policies. These figures send a vivid colour to the Chancellor's warning in his Budget speech that

unless the challenge to economic management is met, North Sea Oil could prove a curse as much as a blessing. It has so far enabled us to enjoy rising consumption despite industrial stagnation, and a rising exchange rate despite rising costs; but these trends can only be damaging to profits and investment, and leave us weaker than ever in a decade or so, when oil earnings begin to tail off.

It is much easier to diagnose the problem than to prescribe a cure. The Morgan Grenfell analysis lays heavy stress on the importance of financial management. This stress explains itself when it is remembered that the capital account is, in an accounting sense, a mirror image of the current account. A current surplus means capital outflows.

The argument is easier to follow in terms of the exchange rate. If the exchange rate has risen steadily during a half year when the current account has been in deficit at an annual rate of £2-3bn, its strength when the current account improves could become unmanageable. In these circumstances, a fiscal and monetary policy which results in high interest rates, and stimulates investment demand for sterling, makes the problem much worse. Quicker relaxation of exchange controls, or Morgan Grenfell's proposal that the Government should try to obtain an earlier contribution from the funds of North Sea operators to finance its deficit, could relieve these pressures.

More generally we would argue that the temporary income from the North Sea partly be saved, whether through foreign assets acquired through a current account surplus, or domestic investment. This is a challenge not only to financial but fiscal policy.

## Borrowing

The trade figures, in short, reinforce our comments on the Budget: the implications of the planned borrowing requirements, both for interest rates and for the balance of payments, are bad news for British industry. If monetary pressures and interest rates soon subside, it may be possible to wait for the natural full-year improvement in the fiscal balance next year to improve the balance of payments; but the present trends of the current account and of interest rates cannot be allowed to persist for long. The damage to industry could be lasting.

## What to do with shipbuilding

THE FATE of British Shipbuilders is hanging in the balance. Yesterday it was announced that it had lost a vital order from Shell for a North Sea support vessel, which was its main hope for providing work for the Govan shipyard. Soon Sir Keith Joseph is to decide on whether, and when to begin selling the profitable parts of the company back to private enterprise. Shipbuilding may well be the first test case in which the Government has to balance short-term political considerations against the long timescale on which industry operates.

## Scramble

British Shipbuilders lost the Shell order to a Finnish shipyard because the price it offered, £70m, was £30m too high. This illustrates one of Britain's relative inefficiency, but also the fact that Britain is neither the only nor the worst offender in the increasingly destructive scramble to subsidise industry, or allow it to run at a loss. The Finnish price is £5m below what British Shipbuilders believe to be the likely raw material costs alone.

But the fact that other countries may be feather-bedding their industries with subsidies or that there may occasionally be sound commercial reasons for operating at a loss is no reason for the British Government to throw good money after bad. If there must be Government subsidies to industry, strict national self-interest would suggest spending the available money on industries that are not subsidised abroad, since these are more likely eventually to be their foreign competitors. Fortunately international competition has not become so predatory yet, which is why the Government should continue to support British Shipbuilders with the current level of subsidy, while resisting temptations, such as that posed by the Shell order, to go any further. At the same time it should press harder for concerted European action to reduce shipbuilding subsidies and to rationalise the industry.

There are several reasons for believing that British Shipbuilders has not yet passed the

point at which it would best be abandoned entirely to heavily distorted market forces. Its labour force has at last developed a sense of realism. Wage claims have been moderate and large redundancies have been accepted with resignation. After a few more years of slumping, and after the world economy begins to pull out of recession, there could be specialised ships which the British industry would be well placed to build profitably.

With the right type of product, skill management and good labour relations, the Danish shipbuilding industry has proved adept at weathering even the current economic storms. Britain's very large shipping fleet and its dependence on North Sea oil makes it a natural shipbuilding nation. British Shipbuilders' one overriding handicap is the lack of management direction that has resulted from the protracted and bitter nationalisation campaign. The industry badly needs a period of organisational calm in which to adjust its sights and learn to live on a smaller scale and within its means. The structure of cash limits and a strictly limited intervention fund created by the last government could create the right conditions for this, particularly coupled with Conservative commitments to stick to the disciplines involved.

## Naval orders

But the other side of the Conservatives' industrial programme, involving the hiving-off to private buyers of the profitable naval shipyards would be folly at the present time. The naval shipyards are "profitable" only because of the generous prices paid by the Ministry of Defence, a fact which may well deter private investors conscious that such effective subsidies could be turned off as readily as ones from the Department of Industry by a government of another hue.

The ultimate aim of bringing private capital back into shipbuilding is sound. But at the moment British Shipbuilders needs a firm commitment to a rationalised and time, which in industry, unlike politics, means years rather than months.

## Chemical industry counts the huge cost of safety

By SUE CAMERON, Chemicals Correspondent

THIS year the UK chemical industry will spend over £100m in the continuing battle to ensure that neither its plants nor its products pose any undue threat to employees, the public or to the environment. Next year the sum will be higher still—for the annual cost of safety is rising steadily.

A survey carried out by the U.S. Chemical Manufacturers' Association showed that American chemical companies spent \$800m on environmental control during 1975 to 1978. The sum represented 8.5 per cent of their total capital expenditure. But the survey, which covered 106 companies, forecast that in the three years between 1977 and the end of 1979 the annual spend would be £1,650m—11.6 per cent of total capital investment.

Meanwhile in Europe, the West German chemical industry's running costs for keeping national waters free from pollution—notably the waters of the River Rhine—rose from £187m in 1976 to £222m in 1977. BASF, the giant German chemical group, points out that these running costs have to be paid annually regardless of a company's financial standing. It claims that for many German chemical companies the total costs of environmental safety are higher than net income after tax.

Yet generally chemical companies in both Western Europe and the U.S. do not jib at paying these heavily increasing costs. Companies are well aware that the cost of a major disaster such as Filaborg in 1976, or the loss of business prestige and the backlash demand for tighter safety laws. What is currently causing concern in the chemical industry is the style of new safety regulations being introduced by both the U.S. and the European Economic Community.

In the U.S., the Environmental Protection Agency is currently implementing the Toxic Substances Control Act, introduced in 1976. The agency's robust approach to its task has brought fierce opposition from chemical companies on both sides of the Atlantic—for the new law applies to imported chemicals as well as to U.S. products. The agency has drawn up a list of some 40,000 existing manufactured chemicals and is now proposing a pre-manufacturing notification system for new chemicals not yet on the list. If the present proposals go through, chemical companies will be required to provide what they see as unnecessarily detailed information about new products. Yet if the agency is not satisfied with the data it receives on a new chemical, it will be able to ban sales of it throughout the U.S.

The cost of conforming to the proposed pre-manufacturing notification system has been

estimated at between \$40,000 and \$80,000 for each new chemical substance. PPG Industries, a U.S.-based company which normally expects to bring up to 100 new chemicals on the market each year, says the cost of the proposed system would be "prohibitive". It adds that the system would also inhibit innovation and make the U.S. chemical industry less competitive in world markets.

Similar arguments were put forward by Mr. Paul Orefice, president of Dow Chemical U.S., when he appeared before a Congressional sub-committee last year. Mr. Orefice said that in 1978 Dow had had to spend over \$30m to meet U.S. federal regulations. He added that \$10m of this had been spent on paperwork alone.

He added that the cost of excessive and unnecessary regulations would have a negative effect on the U.S. balance of payments "through the weakening of America's industrial competitive position". He also claimed that some U.S. regulatory agencies were dictatorial and went on to accuse the Environmental Protection Agency of conducting a "clandestine spy operation" against Dow.

## Non-tariff barrier

Spies apart, there is almost equal concern about the activities of the EPA among those European chemical companies which export to the U.S. Some have come to regard the proposed pre-manufacturing notification system as nothing more than a non-tariff barrier to trade. The Association of Plastics Manufacturers in Europe has made representations to the U.S. to this effect. But the battle about pre-manufacturing notification is not yet over and there is a chance that the EPA will ultimately be forced to reduce the amount of data it demands on each new chemical in order to determine whether or not it is safe.

Meanwhile the European Economic Community is planning to bring in a pre-manufacturing notification system of its own for new chemicals. But the European Commission's proposals have not created much enthusiasm, as those in the U.S. mainly because they allow for a greater degree of flexibility. The proposals are in the form of an amendment to the 1967 EEC directive on substances dangerous to the environment and the amendment was being discussed in Brussels yesterday.

Under the amendment, chemical companies would have to give the relevant authorities in their own EEC member states certain information about any new product they were planning

to put on the market. They would have to provide details about such matters as toxicity, production tonnages, anticipated uses, classification and labelling.

The authorities in a particular member state would examine the data and then decide whether to give a straightforward go-ahead for production, whether to place certain restrictions on the use of the new chemical or whether to ban it altogether.

National authorities would be responsible for passing on all the relevant information to the European Commission, and permission to market a new chemical in one Common Market country would hold good for the other eight.

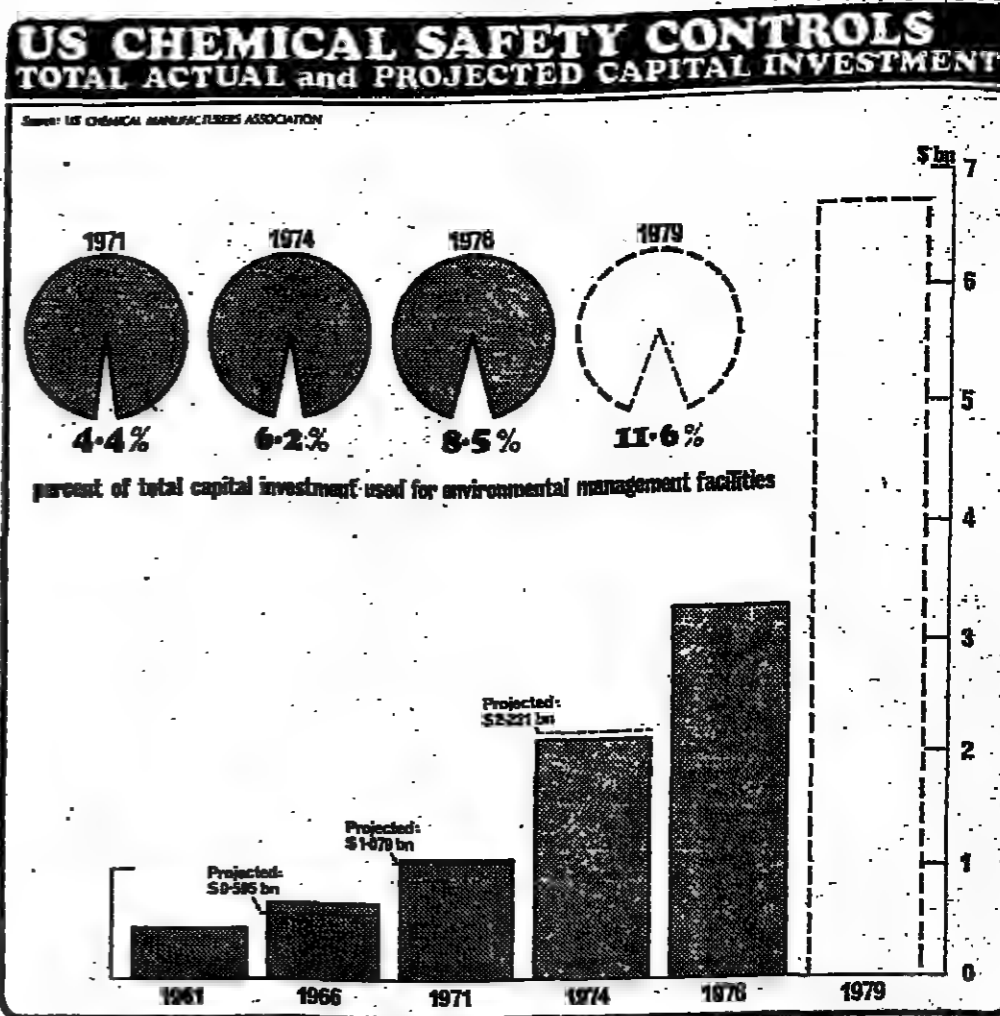
In contrast to the U.S. proposals, certain new chemicals would be exempt from the entire European pre-manufacturing notification system. The exemptions would include new chemicals produced in any quantities while manufacturers waited to see whether or not they were marketable on a larger scale. The aim would be to avoid unnecessary paperwork on products which turned out to be commercial flops and were quickly withdrawn.

Negotiations over some of the details of the amendment are still in progress. Member states are arguing about the exact nature of the exemption list, about the phasing in of testing requirements for small tonnage new chemicals which are subsequently produced on a larger scale, about confidentiality and the way the whole system should be applied to imports. But there appears to be general agreement on the broad outline of the proposed scheme.

In the longer term, attempts to draw up a common EEC policy on the safety of chemicals and chemical plants could be given a much rougher ride. Chemical companies in West Germany and the UK are particularly worried that harmonised EEC safety regulations could become too rigid and bureaucratic.

There are fears that Brussels may try to insist not just on common, broad-based safety standards but on common methods of achieving them. These fears increased during EEC discussions on pollution control when proposals were made to introduce fixed emission levels—specified quantities and concentrations—for the discharging of waste into water. The principle on which fixed emission levels are based is already enshrined in U.S. law which requires all companies to use the best technology available to control discharges of waste into water. The main justification for this approach is that it is scrupulously fair—if all companies are forced to use the same methods of pollution control they will all face similar costs and none of them will be put at a competitive disadvantage.

The chemical companies, how-



ever, argue that it is ridiculous to insist on uniform methods of controlling water pollution regardless of whether a plant is pumping its effluent into the Atlantic Ocean or into a small trout stream.

The Common Market debate about harmonisation of methods is still running on although the question of fixed emission levels for the control of water pollution has now been settled, admittedly through a thoroughly soggy compromise. Fixed emission levels have been included in the EEC directive on water pollution—but with a let-out clause which permits companies to use alternative methods and measurements providing they meet the required standard.

The legal enforcement of safety standards is another area where interference from Brussels would be unwelcome to many chemical companies—particularly British ones. The U.S. and the nine Common Market countries all have different methods of enforcing safety regulations and some, including the UK and West Germany, are much more effective than others.

In the UK much of the responsibility for enforcing regulations rests with the factory inspectorate which tends to approach its task in a comparatively flexible way. This is in contrast to the U.S. where the authorities have to have a search warrant before they can examine a plant.

The UK factory inspectorate—which does not need warrants to enter plants—exercises considerable discretionary powers over the implementation of safety requirements. It looks at what is practically possible in terms of cost and equipment as well as at what is desirable.

The factory inspectorate can issue three different types of enforcement notice: if it is dissatisfied with safety standards at a plant it can serve improvement notices on companies that are too slow in acting on less formal recommendations; it can put out a deferred prohibition notice, which means a manufacturer has to make certain improvements within a specified time or else close; and it can issue a total prohibition notice

which forces a producer to shut down the plant concerned immediately.

Between 1975, when the Health and Safety at Work Act became operative, and September last year a total of 35,000 enforcement notices were issued. In the whole of last year 5,375 improvement notices were served, 391 deferred prohibition notices went out and 1,406 immediate prohibition notices were ordered.

These figures represent only a small proportion of the 0.5m industrial premises in the UK. But the actual numbers might still be considered to be startlingly high.

The chemical industry in the UK has a much better safety record than many other industries. And when accidents do occur in chemical plants they are often of a general nature—such as people falling off ladders—rather than being the result of a chemical explosion or a leak of poisonous fumes.

## Tighten up quickly

Yet safety standards for chemical production are, of necessity, more rigorous than for many other types of manufacturing. Regulations can also be tightened up extremely quickly if there is hard evidence that a chemical is much more dangerous than was previously thought to be the case.

There was a time when there was no threshold limit value for vinyl chloride—a threshold limit value is the recommended maximum concentration of chemical parts per million of air (ppm). A limit of 300 parts of vinyl chloride per million of air was introduced and then, in the early 1960s, it was discovered that people working in vinyl chloride plants in the U.S. often suffered from a disease of their hands.

They were in fact the victims of a rare form of cancer which was caused by being in contact with vinyl chloride. In the UK, the threshold limit value for vinyl chloride, which stood at

200 ppm in 1974, was cut to 50 ppm and it has now been reduced to 10 ppm.

The drastic reduction in the limit for vinyl chloride was made after consultation with the chemical industry and with chemical trades unions. Inevitably, it was the final stages of the operation that were the hardest. It is comparatively easy for a chemical manufacturer to go from a limit of 200 ppm down to 50 ppm. Simple, obvious precautions can be introduced such as insisting that workers wear protective clothing.

But going from a limit of 50 ppm down to the region of 20 ppm and below cannot be done without the installation of sophisticated and expensive new equipment. The chemical industry has to face up to the problems of sudden cuts in threshold limit values as and when they arise. Last month the Health and Safety Commission announced that the limit for acrylonitrile was to be cut from its present level of 20 ppm to 2 ppm by 1981. The decision to reduce the limit was taken because there is some evidence that acrylonitrile can cause cancer in humans.

The tightening of national regulations means higher safety costs for chemical companies as do attempts to harmonise EEC regulations. The industry probably has a reasonable case for saying that the latter is not always justifiable in terms of returns on capital.

The chemical industry also seems to have a reasonable case for claiming that its safety record in the last three or four years has been a good one with few major accidents. Yet when an accident involving a chemical or a chemical plant does occur it is often an extremely large-scale one—Love Creek in the U.S., Filaborg in the UK and Seveso in Italy.

It is for this reason that the industry will probably have an uphill fight to change proposed new regulations on safety. It is also the reason why the cost of trying to make chemicals and chemical plants safe is likely to continue to escalate over the next few years.

## MEN AND MATTERS

Number 10 goes for Veil

A certain friction has already developed. I gather, between 10 Downing Street and James Scott-Hopkins, leader of the 60-strong Conservative delegation to the European Parliament. Displaying a fine instinct for political realism, after a discard of certain's sweeping election victory, Mrs. Thatcher suggested that Euro-MPs should support the "elegant French Health Minister, Mme Simone Veil, as the next President of the of the Assembly.

Scott-Hopkins, I understand, feels that the British should put up their own candidate. Even though he would have no chance of withdrawing him at a strategic moment would, Scott-Hopkins argues, give the Tories a certain bargaining power—chairmanship of a committee, perhaps.

This not very subtle notion is likely to be the subject of some scepticism in Smith Square to day when the new Euro-MPs all meet for the first time, for lunch. During moments when they are not being regaled with Central Office platitudes by Lord Thornercroft, over the soup, maybe—they could well be asking themselves who could credibly be even thought of as President. Effectively it would have to be someone with a dual mandate. And the names fall from the tongue as enticingly as random names in the London telephone directory: Jim Spicer, Tom Norrington, Sir Brandon Rhys Williams.

Mme Veil, by contrast, is the most popular politician in France, possibly in Europe. The symbol of Giscardian liberalism—moderate, anti-doctrinaire, rationalistic—she is extremely close to the French President. Shrewd Euro-MPs feel it would be foolish to thwart him when he is likely to be in power for the next 10 years, for the sake of uncertain, in any event minor political advantage. Mme Veil, a survivor of the



"One more forecast like that and Maggie says we join them!"

concentration camps, who still has the number 78651 tattooed on her forearm, is seen by many as embodying everything that the Community of Europe should be about. She remarked recently that the EEC was a safeguard against anything "like that" happening again, a view which struck more chords than all the millions of words spoken and written on currency baskets.

## Coming home

That veteran of Trafalgar House, John Cory Mitchell, returns to London soon to take over as the GLC's "super-salesman" of council houses on a three-year contract. Mitchell, 51, who trained as an engineer, is still in Africa, where he is advising the Zambian government. Many observers in the City are still curious to know just what happened in September last year, when he precipi-

tately resigned all 58 of his Trafalgar directorships after ten years with the group. He gave no explanation, and Trafalgar vouchsafed only that he had "taken a month off in lieu of notice". Mitchell's fairly modest remuneration of £14,000 a year post as director of the new home ownership department includes commissions on sales. This department is intended eventually self-financing.

## Guarding Jimmy

Among the more unpopular visitors in Vienna during the Soviet-American summit were the U.S. secret service people purporting to protect President Carter and his family. Lurid stories about the rude behaviour of the American guards made headlines in the Vienna popular dailies. Austrian journalists, normally second to none in their anti-Communism, compared the Soviet bodyguards and KGB officials favourably with their American counterparts.

After Mrs. Vera Kreisky, the wife of the Austrian Chancellor, was allegedly invited during an excursion with Mrs. Carter, having been mistaken for a tourist—Austrian security officials contemplated a formal protest. The guards' suspicion extended to the Austrian Minister of Agriculture, Dr. Guenther Halder, who was prevented from entering yesterday the famous Spanish Riding school—though the school is under the supervision of his ministry. Even TV reporters were manhandled, I gather.

## Bearding Juan

Much to the surprise, amusement and curiosity of his subjects, King Juan Carlos has begun to beard a beard. He first appeared in public a fortnight ago with an apparently acci-

dental weekend stubble. The next his subjects knew, he was on a State visit to Morocco displaying very determined facial growth.

Because of the strained relations with Morocco over the fate of the former Spanish Sahara, and the two Spanish enclaves Ceuta and Melilla, this led to wry comments in Madrid about a prickly embrace. No-one, however, suggests the King of Spain will get his beard singed—the Spanish prefer to forget the experience of the Armada.

## Discussion closed

"Enterprise '79", a three-day British Institute of Management conference scheduled for the end of this month, has not been attracting universal interest. It seems just too few enterprises were prepared to fork out £172.50 a time for their managers to go and listen to the exhortations to commercial virtue of Sir James Goldsmith, Sir Richard Marsh, Shell's Michael Pocock—or even Sir Keith Joseph. "Enterprise '79" has now been cancelled for lack of interest. The demand for commercial evangelism seems to have taken a severe dive since the advent of its high priestess in Downing Street. "We made a mistake," the BIm's chairman, Leslie Tolley, admitted yesterday.

Fittingly enough, one of the topics at the conference was to be "Finding A Market Opportunity."

## Evidence

From Andorra a junk-shop owner tells me he received a typed note from a customer to whom he had sold a second-hand typewriter: "Dear Sir," it read, "This typewriter is no damn good. The numbers and are missing."

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Wednesday June 20 1979

# European Vehicle Components

## Suppliers face a major challenge

by Kenneth Gooding  
Motor Industry Correspondent

IR TERRY BECKETT, chairman of Ford UK, suggested recently that demand for smaller "world cars" in the U.S. did not present much of an opportunity for Europe's vehicle manufacturers but opened up a new era for automotive component companies.

His argument was that the states would remain faithful in its main to its own particular style of car, a vehicle which suited America's road system.

American and European rivers demand very different characteristics from their cars in terms of ride, handling and interior trim. Therefore, the chances that American cars might make inroads in Europe after they had been shrunk in size and made more economic to run were pretty remote.

And, if they were realistic, European car companies should expect to make further progress in the States—perhaps the reverse might be true because the U.S. manufacturers would be facing the fuel economy which the past had been a major traction of the imports.

However, the two dominant U.S.-based multinational car groups, General Motors and Ford, which had been thinking in terms of building vehicles suitable for all the European markets—the "European car"—are now thinking in terms of a "world car," one which could be assembled in several different geographic centres.

European companies were

well-placed to supply assemblies and components for the "world cars." Sir Terry suggested that the European groups had a good opportunity to supply engines, transmissions, back axles and so on—the valuable heart of the motor car.

He might also have pointed out that the "winners" would not only be serving the mature U.S. and European markets, but the developing countries. An indication of the potential in these territories was given in a 1976 Economist Intelligence Unit report which identified 67 vehicle assembly plants in South-East Asia, about 36 in Latin America (not counting Brazil or Argentina) about 32 in the Middle East plus ten projected.

At the same time the Japanese market—which could be described as semi-mature in that there are only 172 cars per 1,000 population compared with about 300 per 1,000 on average in the major European markets—is also showing signs of opening up for imported components.

### Japanese

The Japanese undoubtedly will be in the forefront of the competition to win the "world car" component contracts in the 1980s but will have to make greater attempts to balance their trade in automotive exports and imports in the process.

Another factor which the independent European component makers must bear in mind is that General Motors and Ford both manufacture many of their own components in Europe and undoubtedly will use these for the smaller American cars (and U.S.-made components suitable for European cars) whenever possible.

So, although the opportunities at the beginning of the 1980s will be enormous, the risk potential is pretty large too.

Competition in the European components market is already fierce. There are about 280 principal component manufacturers supplying both original equipment and replacement parts. According to many know-

The growing demand for smaller "world cars" in the 1980s also brings with it great opportunities for European vehicle component manufacturers—but fierce competition, particularly from U.S. and Japanese companies, may force European suppliers to consolidate resources for research and production in order to meet the new international challenge.

ledgeable observers, this will have to change.

A report from General Motors' European components organisation, AC Delco, pointed out that in the U.S. the three top car manufacturers produce 9m vehicles annually and there are about 30 major component suppliers. On the other hand, in Europe there are 12 major manufacturers producing only slightly more vehicles and buying from ten times as many suppliers.

It is widely forecast that by the end of the 1980s there will be only five major car manufacturers in Europe and the merger last year of the Peugeot-Citroen group with Chrysler's European operations gave an indication of what will almost certainly happen as automotive groups amalgamate.

Peugeot, Citroen and Chrysler will continue to design and produce their own ranges. But all new cars will have to be based on a common supply, or pool, of components.

If the pattern is repeated with other European car makers, the components industry will be forced to consolidate—particularly as the pressure is increased by the trend to smaller and more economical cars in the U.S. using similar components to those on European vehicles.

Mr. Peter Batchelor, sales director of AC Delco, says: "Only the really big components suppliers are going to have the resources to keep up with the changes, not just in technology but output as well."

"It now costs around £50m

VALUE OF EUROPEAN TOTAL CAR COMPONENTS MARKET BY COUNTRY (£m)

Country	1975	1977	1979	1981	1983	1985
Germany	1927	1993	2062	2134	2279	2365
France	1594	1727	1846	1969	2090	2075
Italy	1330	1381	1440	1527	1490	1703
UK	1253	1377	1383	1395	1493	1549
Spain	428	544	703	782	879	965
Sweden	365	239	370	287	304	322
Others	1019	1110	1150	1257	1471	1504

Source: AC Delco Estimates

to develop a new model and get it into production. When you remember that 35-40 per cent of its value is going to be in bought-in components you are talking about research and development on a huge scale by suppliers and that means they have got to be big."

### Viewpoint

Not everybody in the industry would agree with those sentiments. For example, Mr. J. Scott Ward, formerly with the UK components group Guest Keen and Nettlefolds, and now a consultant to the motor industry, remarked in the Economist Intelligence Unit report that the medium-sized companies are likely to have the greatest successes in the future.

He said a company "needs to be sufficiently small that

vital policy and other decisions can be taken with the minimum of delay, while implementation, in the event of a positive decision, can be kept under surveillance from a responsible level until satisfactory completion.

"In large companies there are normally several interests to be consulted before even initial decisions or action can be taken, while for small companies the venture capital, back-up resources and dearth of highly-skilled and therefore well-paid specialists may be insuperable problems."

Of course, restructuring of the European industry has been going on for many years. The U.S. groups operating in Europe have been enlarging their interests considerably by buying-up suitable UK companies. The recently-completed bid by Rockwell International for Britain's Willmot Breeden is

just one of several examples during the past two or three years.

In Italy the Fiat component companies have been organised into a more cohesive force as part of the big upheaval in the Fiat group's structure.

In France the Government has been prodding parts of the components industry into shape. The country has a comparatively weak industry, a legacy from the way it was kept fragmented because the vehicle assembly groups preferred it that way. But now Ferodo has been used to create an electrical motor components group capable of offering the most advanced equipment as well as more mundane components such as alternators and starter motors.

What has been conspicuously absent so far, however, is cross-frontier mergers between European groups. Guest Keen and Nettlefolds tried to lead the way by seeking control of the Sachs clutches group in West Germany, only to be foiled by the German Cartel Office.

"Undoubtedly, it will take a great deal of time—or extreme commercial pressures—to break down the nationalistic attitudes of the individual countries which make up the EEC."

However, necessity is forcing British components manufacturers to look outside their native territory because vehicle output has shrunk so far so fast. Vehicle manufacturers prefer supply lines to be as short as possible and it was therefore to be expected that the British components groups would have

to build some facilities near the Continental plants and truck assembly plants which are expanding rather than contracting.

In Italy Fiat has had such a dominant position for so long that it, too, must look outside its own country for any large-scale expansion.

All this is taking place against a reasonably buoyant background and a generally optimistic feeling about vehicle sales in Europe.

In spite of mounting concern about oil supplies, the car makers are confident that the modern European will give up practically everything else in the way of consumer durables so that he might still have his private transport.

For example, Ford is convinced that by 1985 the Western European car market will have risen from just over 10m new registrations in 1978 to 11.5-11.8m.

And the latest industry survey by the London-based Economic Models Group suggested that the EEC's car-owning population would grow by 3.5 per cent a year from just over 80m at the end of 1978 to more than 95m by the end of 1984.

### Value

The commercial vehicle makers are also convinced that the value of road transport to the economy will continue to be recognised. Economic Models forecasts an average annual growth rate of 2.5 per cent for commercials, taking the new registrations of vans and trucks of over 2 tonnes gross weight from 603,000 in 1977 to 714,000 in 1984.

AC Delco's forecast is that the European market for primary components (those which are fitted to the vehicle without further manufacture) should rise from the current estimated of £8,790bn to £10,500bn at current prices by 1985.

The main growth markets are for components which once used to be rarely fitted, often only as luxury extras, but which are now being specified as "standard" more often. Obvious ex-

amples are automatic transmission, power steering, air conditioning, electric window regulators and electronic ignition.

However, the main pressure currently being put on the component makers by the vehicle assembly groups has to do with the production of components which do the traditional jobs but weigh very much less. After all, the average family saloon has from 15,000 to 20,000 component parts and up to 40 per cent of its value may be in primary components bought in by the car maker from outside suppliers.

So those suppliers can play a big part in reducing the total weight of the finished car—a method being used to gain better fuel economy.

The drive for fuel economy is not just a fashion. In the U.S. legislation means that the major factors in average fuel consumption across their model ranges in 1978 were 1984 by gradual steps from 1978, average of 18 U.S. mpg.

Europe almost certainly will not introduce legislation but commercial pressure and voluntary undertakings are forcing the car and truck makers towards similar goals. Already in West Germany manufacturers have undertaken to cut fuel consumption at 15 per cent for cars and a 10 per cent for trucks. And in the UK a similar pledge by the manufacturers should soon be made formally to the Department of Energy.

The dominant theme at last month's international components exhibition—SITEV—at Geneva was weight-saving. Weight has been achieved already and dramatically illustrated by Aluminium Pechiney, using a huge pair of scales. On one side was a cast-iron engine and block, two pieces weighing 60 kg. On the other an aluminium engine and block (as used by Renault), wheels, a bumper and other items—in all 40 pieces, weighing less than 80 kg. The message was clear: Europe's component manufacturers will make sure that the cars of the future are much lighter but still big enough for comfort.

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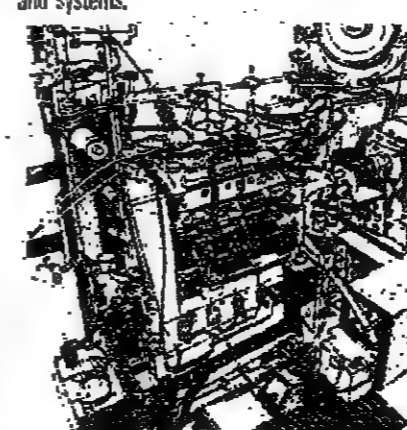
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Lucas

# UK suppliers seek overseas markets

THE THREAT posed by the risk of another oil shortage and all the consequences it would hold for the vehicle industry is only the latest issue to cloud the forecasts of the UK motor components sector. So far 1979 has not been as depressed as many manufacturers had feared, but few are prepared to gamble that times will get much better.

In the longer term the steady and apparently irreversible decline of vehicle assembly in the UK is forcing component suppliers to turn increasingly to Europe, the U.S. and other world markets. The move by Guest Keen and Nettlefolds into the massive U.S. vehicle spares market with the acquisition of Paris Industries Corporation, one of North America's biggest distributors of components with a \$100m turnover, has been the most striking development.

But GKN, along with the other big British corporations such as Lucas Industries, Automotive Products and Associated Engineering, is continuing to extend its manufacturing operations overseas.

The UK components sector enjoys an international reputation for its expertise and technological achievements but it has grown and prospered on the strength of a strong domestic vehicle assembly industry. One immediate cause of concern is

the car importers' continued advance in the early months of this year.

Foreign manufacturers already have captured well over half of the sales in a buoyant car market. The Society of Motor Manufacturers and Traders has revised its forecasts to suggest that imports this year might account for about 55 per cent of new registrations. Such simple percentages must be viewed against the fact that the current year is expected to be perhaps the best since 1973 and that total sales could approach the 1.66m achieved in that record year.

One controversial aspect of the upsurge in imports is that much of the increase can be attributed to cars brought into the UK by multi-nationals such as Chrysler, Vauxhall and particularly Ford. It is true that the large UK components suppliers, such as GKN, Lucas and AP with their international operations can benefit to some extent from such trends. But there are many companies, particularly the smaller ones or those dealing in bulky items that face difficulties.

The performance of BL, formerly British Leyland, is watched with great interest by the industry. Output by the Stratford concern has been fairly mixed this year, with production down at Jaguar but up in the volume cars division. Most suppliers believe that the company's prospects have improved somewhat and the next key date is seen as the launch, scheduled for October, of the £250m Mini replacement model, the "Mini Metro."

"That will be something of a watershed both for BL and the components industry," says Mr. David Owen, managing director of Rubery Owen. As the head of a company fairly dependent on BL, Mr. Owen says that he is "encouraged" by the performance of recent months.

Uncertainty

But any uncertainty about the future is not confined to BL. While the takeover of Chrysler UK interests by PSA Peugeot-Citroen has been generally welcomed, disruption of the company's £100m export order to Iran has been felt by the component suppliers.

The political troubles in Iran have meant that assembly of component kits supplied by Chrysler UK has been at a standstill for much of this year. About 1,400 Chrysler workers in the Midlands were laid off for many weeks and work on the contract is not expected to restart until next month at the earliest.

To the problems of weak demand can be added difficulties peculiar to certain products. The tyre industry, for example, is currently suffering both from its own success in producing long-wearing tyres and from the upsurge in low-priced imports from Eastern Europe.

One area of the UK assembly industry from which components suppliers have been able to find some encouragement is the performance of commercial vehicle manufacturers.

Unlike last year when output dropped 4 per cent in the face of a rise of nearly 14 per cent in UK registrations, British companies have held their own. In the first four months of 1979 truck sales increased 16 per cent to nearly 93,000 and the importers' share of the market was trimmed back from 22.2 per cent to 21.3 per cent.

Generalisation about an industry as diverse as motor components is obviously difficult, but it is widely accepted that many companies are currently operating with anything between 20 and 40 per cent spare capacity. With little sign of any overall increase in demand the rationalisation and shake out of labour that has taken place over the past five years is likely to continue.

The iron foundry closures and 600 redundancies which Birmid Quilcast is currently negotiating at its Dartmouth

who have got the lion's share of our market do not, through a policy of enlightened self-interest, increase their purchase of UK components, then I can see Governments erecting some kind of protectionism."

He argues that there is a strong case for restrictions upon nations, such as East Europeans, who do not allow the free flow of vehicles into their own home markets.

Criticism

Mr. McGrath is also critical of the "unofficial" barriers to UK sales overseas. "Whereas in Britain consumers seem quite happy to buy foreign, there is an element of nationalism in many of our markets which makes exporting difficult."

His viewpoint is shared by many other component suppliers who also point out that the strength of sterling has made it more difficult to turn to exports as the way to compensate for weak home demand.

The prospects that BL Cars' joint project with Honda might present for sales to one of the world's most important markets is another lively issue. BL has said that "a substantial part of the component value" of the planned new car will be sourced from the UK.

The aim is to assemble a new middle-range car—rather

considerable opportunities for the future.

Also optimistic is Mr. Charles Davidson, commercial director of Lucas, a company that has made strenuous efforts to break into the Japanese market. "Obviously the competition is going to be intense, but we must be in with a good chance," he declares. Honda already produces Girling brakes under licence from the Lucas subsidiary and takes electrical equipment from Hitachi under a Lucas licence.

Until details of the Honda deal have been negotiated the components sector is maintaining a cautious view. But the move generally has been welcomed on the grounds that it both strengthens BL and offers at least some prospect of new markets.

Indeed, it is to overseas markets that the suppliers are having to turn for business as some compensation for deficiencies in home demand. But Mr. Davidson is quick to stress the importance of consistency of production by all the UK vehicle assemblers. The components sector has an export record of which it can be proud, but it depends for its profitability on a strong home industry.

Arthur Smith

# Turner & Newall: playing a key role in European automotive components

## Continuing boom in W. Germany

WEST GERMANY'S motor industry is well into its fourth boom year in a row. Production capacity is being used to the full and order books are satisfyingly high.

Although the Federal Republic's car manufacturers are reckoned to manufacture a larger proportion of their own components than their British counterparts, the high demand for the motor industry's products has, on the whole, swept the independent component makers along in its wake.

The West German components industry, despite the car makers' predilection for doing it themselves, is a huge one. For instance, the well-known Robert Bosch group notches up about 35 per cent of its sales in the automotive sector. In 1977, the electrical and electro-technical equipment, in which the group specialises, accounted for sales of DM 3.18bn (£798.6m) at home and abroad.

hands, has been reinforced to a certain degree on an official level. The enforcement of "DIN," the West German standard specification, is rigidly applied to ensure high standards throughout German industry.

However, some overseas manufacturers and importers claim that the specifications are so unyielding that they act as a hidden barrier to trade—in many industrial sectors, not merely the motor industry. Sealed beam headlights are not permitted in Germany, not because of any intrinsic inadequacy, say the critics, but because no "DIN" specification for them exists.

Despite this, foreign competition is making its mark in some sectors of the market, notably motor tyres. Imports have risen dramatically, particularly from low-wage-cost countries, and West German tyre makers have been having a very thin time for much of this decade.

Profits have fallen heavily as imported products have made heavy inroads into the German tyre makers' sales. Imports have penetrated the domestic market to such a degree that today every second replacement tyre sold comes from abroad. Not only that, the traditionally secure primary market has been under attack and West German motor manufacturers have also been equipping newly-produced vehicles with imported tyres.

The tyre manufacturers' response to the challenge has been two-fold. They have tried to concentrate on producing "high technology" tyres and, at the same time, have been diversifying into technical rubber products, primarily aimed at the motor industry, that their competitors overseas cannot produce.

While they have been successful in attaining both objectives, commercial success has eluded them. The "high technology"

### Recognition

Bosch is a company with world-wide recognition among motorists. So too are concerns such as Varta, the battery makers; Continental Gummiwerke and Phoenix Gummiwerke, tyre and technical rubber products makers; Fichtel and Sachs, which holds 70 per cent of the German clutch market; and Alfred Teves, owned by IT&T, which dominates the brakes market.

Even so, a large number of major German component producers are relatively unknown. This is partly because they do relatively little advertising in the general market and also because they have a relatively low profile abroad. They have tended to follow the motor manufacturers overseas rather than lead the way themselves.

The motor manufacturers' own purchasing and distribution policy has dictated the marketing pattern. In the motor industry—as in many other sectors—the manufacturing concerns have for years held strongly to a "buy German" philosophy.

This has not been a matter of simple chauvinism. It has made sense to deal with domestic industry where quality control is much easier than dealing with exporters many miles away. Also, the West German components industry has a high reputation for technical excellence which has gone far towards offsetting any loss of competitive edge stemming from the rise in the value of the Deutsche-mark against the other leading trading currencies.

Further, the motor manufacturers have held the main secondary market—the repairs and replacements business—in an iron grip. In 1978—the latest available statistics—about 56 per cent of vehicle repair shops were operated by accredited dealerships. This 56 per cent accounted for about 85 per cent of total sales in the sector.

Although not all motor manufacturers insisted, like Volkswagen, that "official" spares should be used, most repair shops tended to use the "official" spares rather than alternative "unofficial" replacement parts. Therefore, it made more sense for many component makers to concentrate the promotion efforts on the trade rather than the motorists.

This inertia, which has kept much of the components market largely in German

CONTINUED ON NEXT PAGE

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John Smith

# More investment by U.S. companies

THE WESTERN - European vehicle market is roughly the same size as that in the U.S. And since a great part of Western Europe became a Common Market in theory at least, its attractions have often proved irresistible for North American component companies.

There was also the incentive provided by the U.S. car assemblers which developed widespread and successful European businesses and encouraged their traditional American suppliers to set up shop this side of the Atlantic.

Europe has also offered the Americans a useful base from which to aim at the Middle East and African markets (where English is also often spoken) although today the developing countries insist on having much more locally-made content in all types of products so this is not the benefit it once was.

Britain has always been somewhere near the top of the list for Americans setting up in Europe, and not only because the language is one they can understand but there is easy access to capital and a reservoir of engineering skills. Where the majority of Continental component companies are either privately owned or subsidiaries of large groups, Britain had a clutch of medium-sized businesses with Stock Exchange listings and therefore were available to be bought if the price was right.

The latest example of a North American group using this route to expand its European component business was the bid by Rockwell for Wilmot Breeden, a rather acrimonious affair which came to an end only last month when the Board of the UK company reluctantly suggested that shareholders accept the offer in spite of its "undervaluing" Wilmot Breeden.

The bid provided a rather useful illustration of the kind of objectives the Americans currently set themselves. Wilmot's main attraction to Rockwell was that it was the sole supplier of electric windows and door systems to fit small cars. New opportunities for European-style components of all kinds are beginning to show

themselves in the U.S. as the major manufacturers join the hectic race to produce lighter, less-thrifty, smaller popular cars for the 1980s.

But the American customers will not change the habits of a lifetime very easily. For example, they will still look for electric windows and power door locking. However, it is not possible simply to switch the existing American systems from large to small cars. A different approach, a different technology is required. Technology which Rockwell could export back to the States once it has absorbed Wilmot.

## Opportunity

Not only that, the European market for such items is just about opening up. In the U.S. 28 per cent of cars have electric windows—in Europe the figure is 1 per cent. About 24 per cent of new cars in the U.S. are delivered with centralised and powered door locking systems against 4 per cent in Europe.

According to one authoritative estimate, the market for these items could double in value terms in the next four to five years. That seems less optimistic when the much higher cost of electric systems is compared with mechanical ones. For example, Wilmot collects about £50 for a central door locking system which goes into the new Rover saloon. Traditional locks would probably fetch about £5 a car.

Of course, Rockwell could have chosen a different technique and either bought Wilmot's technology or set up a joint operation or something of that sort. But when it took a closer look, Wilmot had an added attraction which made a full bid for £24m seem more than worthwhile. Wilmot offered a way into France, a country which now has one of the strongest but most nationalistic automotive sectors in Europe. The formation of the Peugeot-Citroen-Chrysler group gave France Europe's biggest manufacturer and the country already contained the state-owned Renault group.

Wilmot owns 99 per cent of Compagnie Industrielle de

Mecanismes (CIM) and so gives Rockwell a chance to gain a foothold on French territory it would otherwise have found very difficult to obtain. For the French Government has set itself firmly against the idea that any important industrial sector should fall into foreign hands. And it is doing all it can to make sure that France has a components sector able to provide adequate backing to its big motor groups.

Wilmot also has 50 per cent of a Spanish company and 47 per cent of another in Italy, both relatively small concerns, but with significant positions in the supply of mechanisms to local car groups.

Seven years ago Rockwell, which describes itself as a "multi-industry" group, had no automotive operations outside North America. Today it has 12 plants and sales of about \$150m outside its home base. In Europe it owns the Golda company in West Germany, which makes car mechanisms but is perhaps better known for the manufacture of axles, brakes, chassis and other components for heavy-duty trucks, trailers, buses and off-road vehicles.

Rockwell has said it intends to spend \$500m on its automotive business worldwide between 1978 and 1983 so it can be argued that it was in the position to start its own mechanisms operations in Europe from scratch if necessary. For example, the Rockwell Bremser truck brakes business was started from scratch in Germany in 1963. But its sales have now reached the \$21m level and the company has now begun the \$65m first phase of an expansion programme to increase capacity by three times to around 400,000 a year.

But the purchase of Wilmot, which was vulnerable because its share price reflected the difficulties it was experiencing while streamlining its British operations to cope with the contraction of the UK automotive industry, not only provided Rockwell with a decisive thrust into a European growth market but at the same time removed from the scene a major competitor it would face if it decided to go it alone.

The other significant development among the American component suppliers in Europe in the past year is an exceptional one—a group intent on pulling out of some operations. Bendix

attempted to sell its stake in DBA of France, a group formed from Ducellier, the vehicle electric company. Bendix's own brake interests and Air Equipment, an aerospace components concern.

The move apparently was sparked by DBA's poor profit performance but it led to all kinds of political problems. These stemmed mainly from the fact that Lucas of the UK wanted to increase to a majority shareholding its existing interest in Ducellier. But the French Government preferred to retain Ducellier as a French company. The legal battles surrounding Ducellier are continuing.

Bendix's other European automotive components interests include the Bendix-Westinghouse truck brakes business; Jurid, the West German brake linings manufacturer; and Bendibrica, another brake maker but this time for passenger cars. The group also has a joint company with Renault of France to co-operate in the development of automotive electronic equipment.

Bendix's contraction in Europe certainly goes against the usual tide. For example,

Dana Corporation recently set up a formal European grouping for its interests in the area and arranged a London Stock Market quotation in case that might prove useful for a capital-raising exercise at some stage.

Dana, among the largest of the U.S. components groups, is on more than a nodding acquaintance with the London stock market because its UK acquisitions in recent years included Turner Manufacturing, which makes transmissions and clutches, and Brown Brothers, the automotive parts distribution business.

Dana has other distribution companies in Belgium, Switzerland and West Germany, the Victor Royal gas jets concern in Denmark, and within the past couple of years also bought the piston rings and pistons manufacturer Fioquet Monopole in France.

American Standard, which makes the WABCO truck braking systems and has Westinghouse air brakes among its transport interests, paid £20m for Clayton Dewandre, one of the UK's leading power braking systems makers, to add to its Webco (Westinghouse) subsidiary in Hanover, West Germany.

Two other American groups reckoned to be among the largest in the European components sector are Eaton Corporation and TRW. Again, both spread into Continental Europe from strong bases in the U.K. Eaton with valves, transmissions and axles and TRW with valves and steering gears.

Last month Eaton added considerably (by about 10 per cent) to its European valve interests with the opening of a new \$10m

plant in Spain, double the size of the previous Eaton plant there.

Also in Spain, Eaton makes axles and axle housings; in Italy there are two more valve plants, a piston foundry and an automotive controls business; in France a truck transmission plant and one making cast-iron parts for later machining by car companies. While the UK operations include truck transmission plants at Basinstoke and Manchester, axle and axle housing factories at Aycliffe, Darlington and Warrington, and a gear forging plant at Cradock. Eaton's sales of truck components in 1978 are estimated to have been about \$175m while turnover in other automotive components probably accounted for a further \$100m.

## Expansion

TRW has also been building up its European operations. Last year it completed a major expansion of an engineering centre for rack and pinion and integral steering systems in the UK, completed the first stage of an engineering centre expansion in West Germany (a second phase is planned this year); and in Spain expanded a joint venture producing steering and chassis products for cars to include the manufacture of manual and power steering systems for trucks and off-highway vehicles.

ITT, the U.S. group which based its fortunes on telecommunications, also has a sizeable involvement in automotive components and in Europe these are centred on Texas, the West German brake manufacturing

business considered to be the largest company in the field within the Common Market.

ITT also owns a variety of companies in Italy, making brake linings, plastic, shock absorbers, tail lights and servo systems, and in Holland it owns the Kom specialist shock absorber concern. In the second half of the 1970s most of these companies have been expanded and their export efforts stepped up.

The U.S. chemicals group Tenneco Walker also followed an acquisition route in Europe by taking over Harma, one of the UK's largest exhaust makers, two smaller producers in France and West Germany and the Pit Stop exhaust replacement business.

Other American groups are in Europe because they have special expertise which the major assemblers needed near their plants. Here—among the type are Champion, the sports plug manufacturer with plants in Britain and Belgium; Timken, which makes tapered bearings in Britain, France and West Germany; and Borg Warner, the automatic transmission concern.

And finally it should not be forgotten that the two big American automotive groups with assembly facilities in Europe, Ford and General Motors (Opel, Vauxhall and Bedford), themselves produce components on a very large scale; and GM's component business, AC Delco, which has a turnover of around \$550m a year, has had some success selling to other car and truck companies.

Kenneth Gooding

## W. Germany

CONTINUED FROM PREVIOUS PAGE

tyres—such as steel-belted radials—have a much higher value than the conventional ones that they replaced, but they have the great disadvantage of lasting much longer. Therefore, they have failed to match the lost sales volume in conventional tyres.

In the technical rubber products sector, volumes again have fallen short of replacing those lost to the tyre importers. Not only that, but competition in the area has stiffened considerably in the past few years. For several years in a row Continental Gummi-Werke has pressed its dividend, much to the concern of its shareholders. In real terms, Phoenix Gummi-Werke and Metzeler, Continental's leading competitors, have failed to do any better.

Comparatively little restructuring has taken place in the industry, although the U.S. majors have made a number of acquisitions. But a very definite attempt was made in the tyre industry to put the German majors on a sounder footing. Continental and Phoenix—under heavy pressure from their leading shareholders—opened merger talks in 1977. A merger had been mooted many times in the past 15 years but nothing had ever come about. The 1977 talks had all the elements of a shotgun marriage rather than a love match and the talks were called off after serious divisions between the two managements.

Clearly, the West German industry's share of the domestic mass tyre market had fallen to such a degree that it could no longer support everyone. Phoenix Gummi was the first to bite the bullet. It announced earlier this year that it was getting out of the business completely to concentrate on technical products and tyres for commercial vehicles: areas in which it has considerable expertise.

Conti-Gummi, on the other hand, emmeshed itself still further in the mass-tyre market. In April, with Phoenix Gummi safely out of the way, it announced

it was to purchase Uniroyl's European mass tyre operation. For Conti-Gummi this appears to be a 180 degree change in policy and only time will tell if it is the right one. The tyre market is not the only one that could come under pressure from outsiders, including the importers. A ruling by the Federal Cartel Office in West Berlin could well provide a far greater opportunity for free competition in the replacement market.

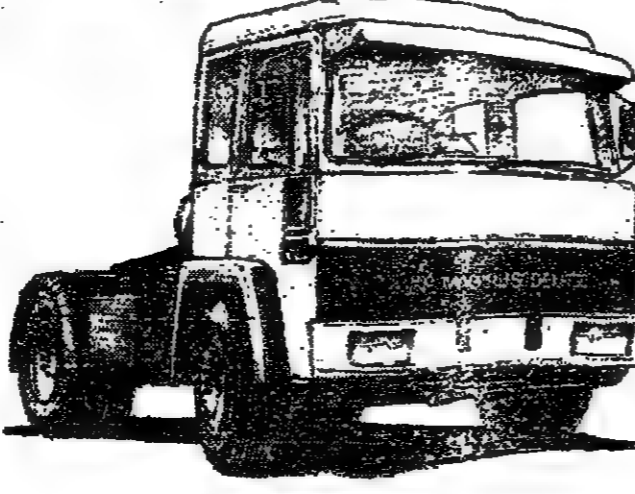
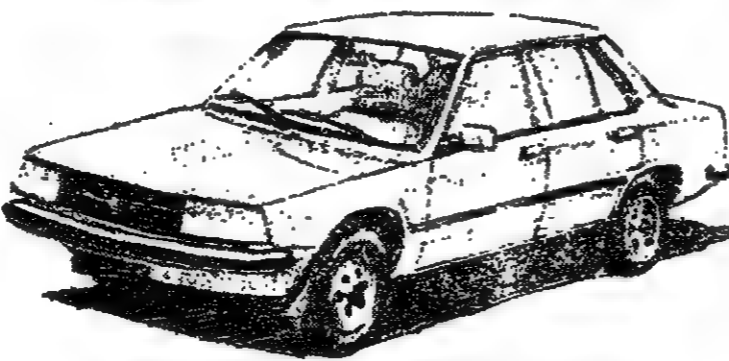
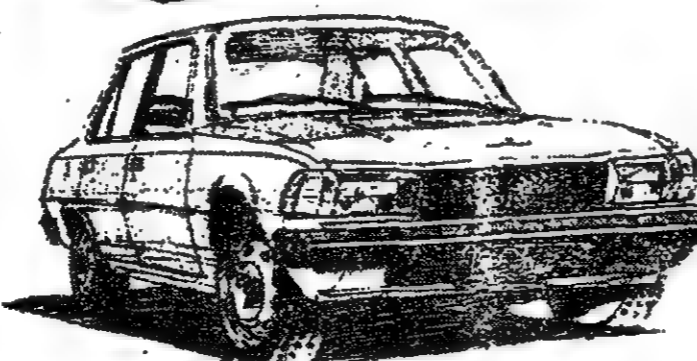
In late March this year the Cartel Office ordered Volkswagen to stop forcing its appointed West German dealers and service shops to buy spare parts from its component suppliers. The cartel watchdog also announced that it was investigating BMW, which also binds its dealers and service companies to buy non-company-made parts from its accredited suppliers. Volkswagen is appealing the decision in the West German appeals court and it has to be admitted that a Cartel Office attempt to rule against a VW price increase on a previous occasion failed. However, the office contends that VW's policy unduly hinders its dealers and service companies from ordering spares "in the most favourable and cheap way."

Claims by the motor manufacturer that its policy enables it to maintain quality and safety standards are dismissed by the Cartel Office. Strict West German tests and controls, coupled with VW's own prescribed tests ensure sufficiently high standards, it contends.

While manufacturers such as Opel, Ford and Daimler-Benz do not bind the purchase of their spare parts, the successful overturning of VW's and BMW's policy could substantially widen the market for the independent manufacturer. Between them the two companies account for 30 per cent of the German domestic market—a juicy plum, ripe for the picking.

Guy Hawtin

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## EUROPEAN VEHICLE COMPONENTS IV

# Bid to streamline French production

A COMMON theme in the French motor industry, echoed earnestly by the Industry Ministry, is that the country's components sector is far too fragmented.

Rationalisation has moved ahead rapidly in the car industry, it is argued, finding its logical conclusion in the Peugeot-Citroen-Chrysler France combine. The vehicle producers therefore can achieve international competitive economies of scale in car manufacturing. Now the component companies need to get together to produce similar streamlined operations.

The fact that France finds itself in this position, however, is due partly to its traditional strengths. The components industry has always existed very much in the shadow of the vehicle manufacturers.

In the past 15 years, as the car manufacturers have gone out and found new world markets, the suppliers have been too busy keeping pace with the new demand to establish international empires of their own in the way that some British and German companies have done.

At the same time, the dominance of the vehicle producers has had two further effects. First, it has meant that the assemblers themselves have gone far deeper into component manufacturing than many of their competitors overseas.

Second, it has given the assemblers power to keep the component suppliers on a tight rein. Individual car and truck manufacturers have tended to establish strong links with selected component companies and to tie them down to such particular specifications that they have become almost client organisations.

## Significant

Rationalisation, such as it is, is now coming from a number of different directions. Probably the most significant of these is the work that is going on in the electrical components sector. This is the key area for components development in the future as vehicle electronics become one of the most important elements in controlling vehicles and reducing weight in the interests of energy conservation.

Mainly because of the importance of these types of components and the dominant position of Lucas of the UK and Bosch of West Germany in the European market, the French Industry Ministry has concentrated its attention here on rationalisation.

The first step in this process was to persuade Ferodo, the clutch and friction materials group, to take over the Cible-Paris-Rhone group and combine it with its own Marchal interests. This deal was pushed through in 1977 to create SEV—Société pour l'Équipement des Véhicules—with interests in lighting, alternators, windscreen wipers, motors, ignition equipment and so on.

The second step in this phase of re-organisation was to have been the takeover of Ducellier, the electrical components subsidiary of the DBA group.

For the French industry this was a logical development. DBA, owned by Bendix of the U.S., wanted to sell its stake in Ducellier (a company jointly owned with Lucas of the UK), and a takeover by Ferodo would have meant putting the final piece into the SEV electrical components' group jigsaw. SEV needs a division specialising in electronics to establish the necessary spread across the range of electrical equipment. Ducellier would have answered this requirement.

However, Ferodo's move for Ducellier ran foul of similar expansionary ambitions by Lucas. The ensuing court cases, as each company has fought for control, have become a cause célèbre in French industrial policy, and the resolution of this battle undoubtedly will have a significant impact both on the development of Lucas, which has been growing rapidly in Continental markets, and on the French components industry itself.

At present, the situation is still in the hands of the courts, with no agreement immediately in sight. The case has developed so far in three fairly distinctive steps. First, Lucas came to an agreement with DBA (ultimately Bendix) under which it would have taken over Ducellier completely by stepping up its 49 per cent stake. The French Government failed to approve this agreement between Lucas and DBA, the other Ducellier shareholder, although Lucas claims to have a pre-emptive legal right to the DBA stake.

The second step was when Ferodo came to an alternative agreement with Bendix to take over the DBA stake in Ducellier. Lucas protested against this deal on the grounds of its pre-emptive rights and the fact that it had reached an agreement itself, and effectively won the case. The Paris Commercial Tribunal declared the agreement between Ferodo and

## FRENCH COMPONENTS - SALES AND FOREIGN TRADE

	1973	1974	1975	1976	1977
Total turnover without tax*	15,992	18,229	20,225	27,568	30,000
	+ 8.5	+ 14.0	+ 12.5	+ 34.3	+ 8.9
Total export	4,743	6,297	8,013	10,590	12,000
	+ 32.9	+ 32.8	+ 27.3	+ 31.7	+ 29.9
Total import	3,149	3,948	4,621	6,651	8,266
	+ 29.2	+ 25.4	+ 17.0	+ 43.9	+ 24.2
Export/import coverage rate	150.6	159.5	173.4	158.6	165.7
French market = prod. - export + import	14,398	15,890	17,132	23,670	24,362
Rate of foreign penetration or import/French market	21.9	24.5	26.9	28.1	33.5
Export rate export/turnover	29.6	34.5	39.6	38.2	40.0

\* Including components made by car manufacturers. † Estimate.  
Source: Federation of French Vehicle Equipment Manufacturers.

Bendix to be null and void.

The case is now in a third stage following an appeal by Ferodo against the Tribunal's decision. The French group says that it is still actively discussing forms of industrial co-operation with Lucas as a compromise solution since it wants to reach an agreement founded "on a reasonable basis, taking into account the interests of Ducellier and its shareholders."

How far both Ferodo and Lucas are prepared to go towards a compromise is now the main question hanging over the case. The second element of rationalisation in the French components industry is coming from overseas companies. Here again, Lucas has played a big part through its Lucas France subsidiary, which is one of the biggest individual components manufacturers in the country, employing about 7,500 people. It is strong in traditional electrical equipment, braking systems (Girling) and diesel parts (Roto-Diesel).

Other foreign companies which have moved into France include:

- 1.—VDO, the West German vehicle instruments group, which raised its stake in Jaeger to 45 per cent in 1974. Jaeger, one of the few internationally-known names in the French industry, with its range of speedometers, fuel indicators and other dashboard equipment, had net profits of FF 21.5m (\$4.9m) last year.
- 2.—Bosch, the West German electrical group which, apart from its stake in SEV, has factories making fuel injection equipment and other electrical products.
- 3.—Wilmot Breeden, the UK door latch and plastic company, recently taken over by Rockwell of the U.S., has had a significant presence in France over a long period. It has become the major supplier to the vehicle companies in this sector, and one of the main reasons for Rockwell's interest is that it will be buying a base in France.
- 4.—Teves, the German brake manufacturing group now owned by IRT of the U.S., which has recently built a disc-brake factory in France.
- 5.—GKN, the UK company, which manufactures universal joints.
- 6.—Associated Engineering, also British, with its piston technology.
- 7.—Among other overseas companies are Dana of the U.S., which recently bought Floquet Monopole, the piston ring manufacturer, and Automotive Products with its clutch remanufacturing activities.

## Example

The third rationalising element is the big vehicle companies themselves. The French car manufacturers have always been inclined to take financial stakes in component companies—Jaeger's French shareholders, for example, include Renault, Peugeot and Citroen.

But the moves to streamline production have gone farthest in the larger components, such as engines and gearboxes, and are being pushed forward still further by the fusion of Peugeot, Citroen and Chrysler. The most celebrated example of this trend is the Renault-Peugeot company Française de Mécanisme, which makes engines jointly for both companies. Despite suggestions that these two groups would be forced further apart by the series of takeovers which have pushed Peugeot to the forefront of the French motor industry, they have linked again recently to establish an aluminium foundry in Lorraine.

Peugeot itself has for many years had an interest in car bumper, chain and steering wheel manufacturing through Aciers et Outillage Peugeot, in which the group interests amount to 78 per cent. More recently, Peugeot and Citroen established a joint engine manufacturing plant for the PSA Peugeot-Citroen group called Société Mécanique des Automobiles de l'Est, also in Lor-

raine. This will be managed by Citroen, which has a 78 per cent controlling interest.

Lorraine is also to be the site for another large 2,000-employee PSA group components factory, although it is not clear yet exactly what will be made there. In the all-important field of vehicle electronics, Renault has recently set up a joint operation with Bendix.

## Performance

In spite of the anxiety shown by the authorities to defend the French components industry and build it into a stronger force in international markets, its overall performance in recent years has been reasonably satisfactory. Total turnover in the industry, including parts made by the car manufacturers, has all but doubled between 1973 (FF 18bn (\$3.8bn)) and 1977 (FF 30bn). Excluding the vehicle producers' share, turnover amounted to FF 21.7bn.

About 49 per cent of these components, according to the in-

dustry's federation, were exported (FF 13.7bn), against imports of FF 8.3bn. It is true that during the last six years imports have moved up steadily, from 21.9 per cent of the French market to 33.5 per cent in 1977. But at the same time the export ratio of French output has gone up from 29.6 to 40.0 per cent. The EEC is both the biggest market and the largest supplier (78.8 per cent of imports).

First nine months' figures for 1978, excluding the vehicle manufacturers' interests, indicate a further growth in sales of 10.9 per cent to FF 23.6bn. Of this total, the electrical sector accounted for FF 4.5bn, marginally ahead of body equipment (FF 4.4bn), but well behind chassis products (FF 11.6bn).

Perhaps this relatively modest performance by the electrical companies, which ought to be in the forefront of activity, is one of the main reasons for the dour battle going on for control of Ducellier.

Terry Dodsworth

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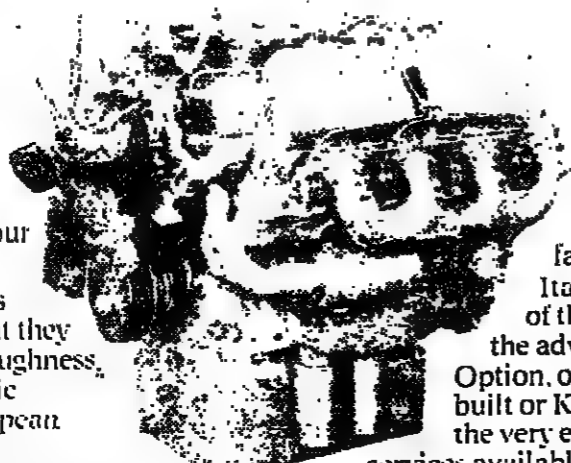
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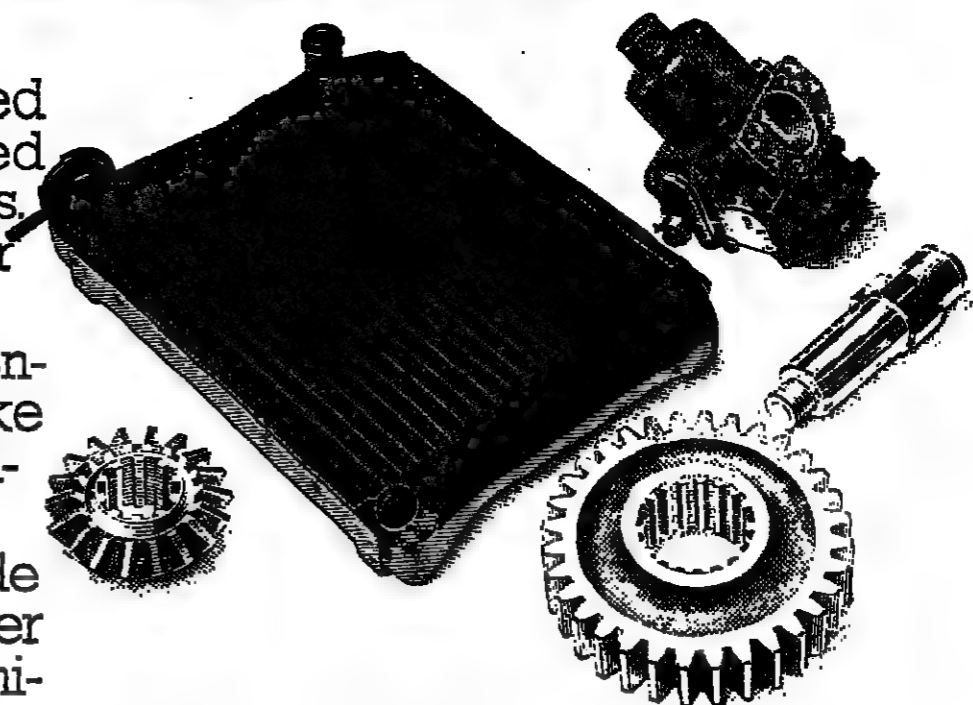
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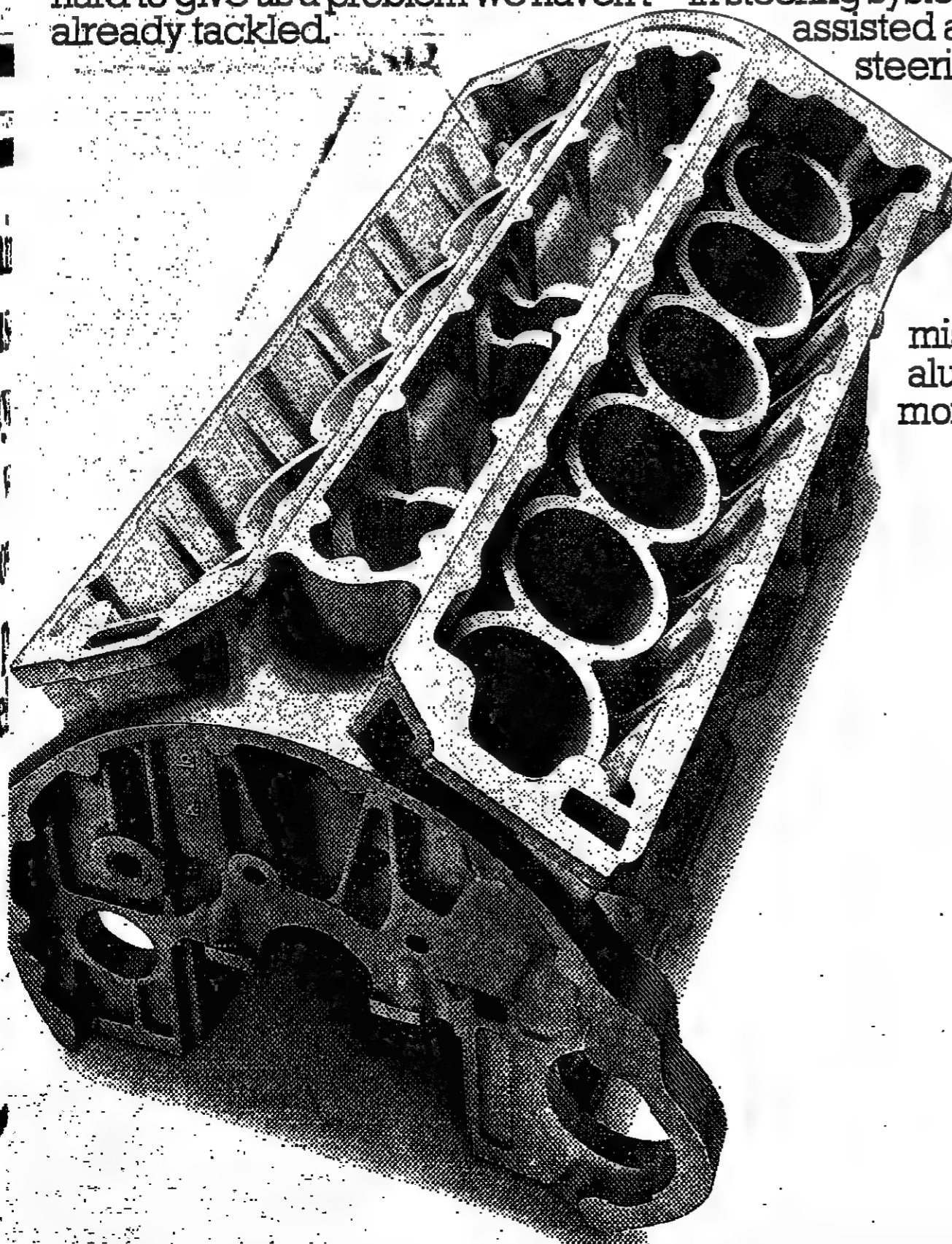
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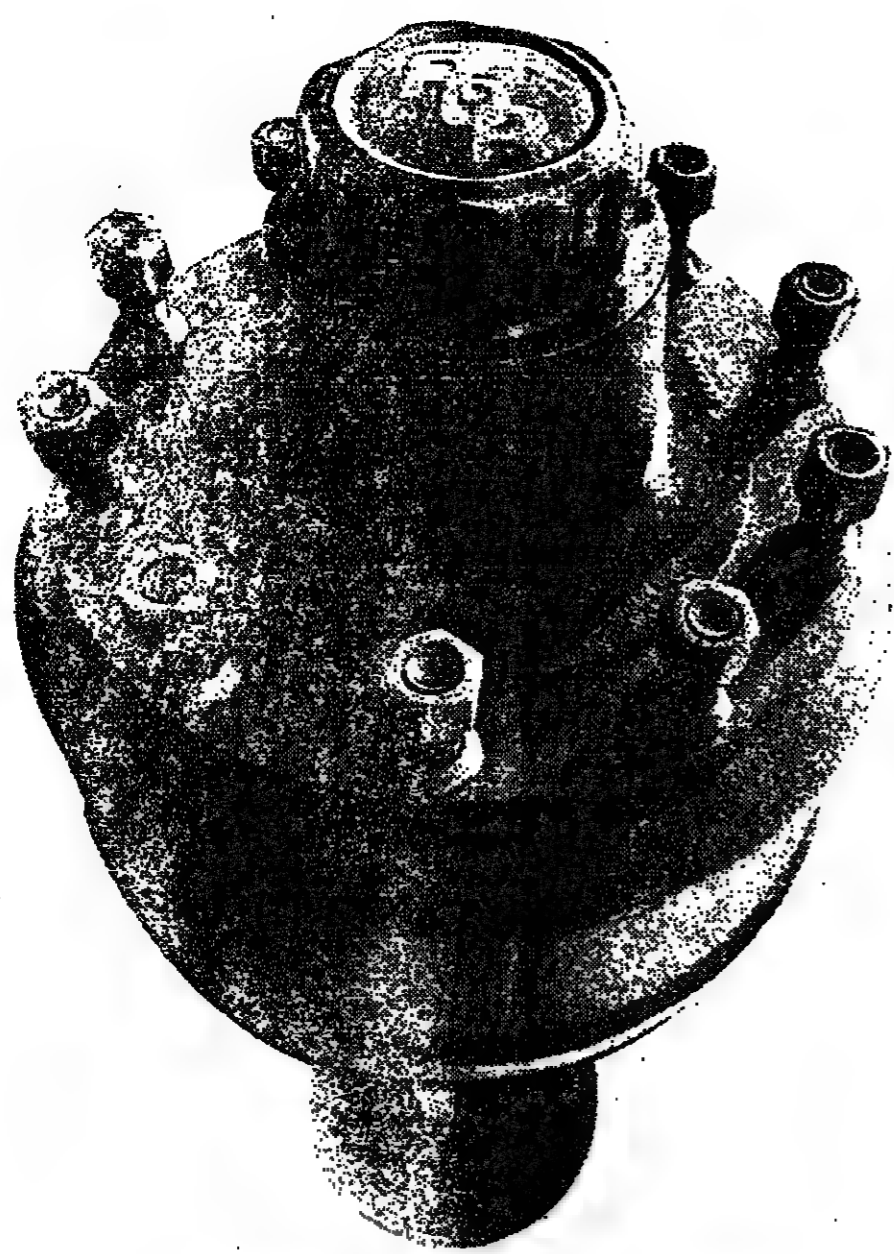
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## EUROPEAN VEHICLE COMPONENTS VI

# Italian manufacturers face more problems



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WHILE ITALY is Europe's third largest manufacturer of vehicle components after West Germany and France, the industry is essentially focused around one concern, the Turin-based car manufacturing conglomerate Fiat.

The Turin group, Italy's largest private enterprise with a consolidated turnover last year of L13,000bn, accounts for more than L1,000bn of the Italian vehicle component sector's estimated L2,500bn output this year.

In this respect, the components sector is largely dependent on the fortunes of Fiat, whose performance has been steadily improving since the energy crisis in 1973. Car production in Italy improved last year by 4.7 per cent over 1977, and the Italian industry registered the best percentage gain among the major European car makers.

Even though the overall export situation for the European industry remained difficult, Italy still maintained its head with a slight 0.6 per cent decline in car exports and a 6.6 per cent increase over the previous year in exports of industrial vehicles.

In line with the recent reorganisation of the Fiat group into a holding company controlling a number of varied operating subsidiaries, the Turin company's component sector is made up of an extremely varied production structure. There are no fewer than 43 plants in Italy and three abroad, producing about 75 per cent of their output for the car industry.

Fiat says the reorganisation of the rigid production structure of its components sector employing about 32,000 people, became essential after the outbreak of the energy crisis. According to Fiat "the main feature of this reorganisation was to diversify production on the flexible basis of small and medium-sized groups operating within the framework of an international holding company, in an effort to align them to future market conditions."

At the same time, perhaps the most radical aspect of this

reorganisation was to change the exclusively Fiat-oriented approach of these small and medium-sized companies. This has made them more market-oriented, enhancing their individual export performance. To this end, some of Fiat's leading subsidiaries in this sector, including Gilardini, Magneti Marelli and Comind, have now set up new trading companies in France and West Germany, and new commercial bureaux in Britain and Spain. Indeed, sales to non-Fiat customers account today for about 50 per cent of Fiat's annual sales of about L1,000bn from its components sector.

## Network

Although Italy's other large car manufacturer, the state-controlled Alfa Romeo group, also has an active component sector with its Spica and Aponte subsidiaries, the other main feature of the industry in Italy is the vast network of small workshop-type manufacturers relying mainly on sub-contracts from the large producers.

Often these groups are set up by former employees of the larger companies such as Fiat or Alfa Romeo, which continue to support them since it effectively

gives the larger groups greater elasticity and reduces operating costs. In turn, this wide range of smaller industries, which rely in large measure on their own ingenious devices, form part of what is perhaps the most dynamic and profitable end of Italy's industrial structure.

But while the sector has performed better than most during the recession of the last two years, when annual growth was limited to barely 2 per cent, there is now increasing concern over the possible repercussions of the renewal of some major national labour contracts and the impact of the country's growing energy problems. For two months already, negotiations between employers and the key engineering and metalworkers union over their three-year labour contract have been deadlocked.

The unions, which have adopted an increasingly militant and disruptive approach, are demanding monthly wage increases of about L30,000, exceeding the government's target to prevent any real rises in salaries for the next three years. At the same time, employers so far have firmly rejected union demands for greater union say in company future investment

policies and for shorter working hours.

In view of the renewed threat of rising inflation, already running at an annual rate of more than 14 per cent, and increased raw material costs, there are now fears that the industry's export competitiveness may be eroded. Moreover, the recession of the last two years, which now seems to have bottomed out with output rising again, has also affected smaller industries.

According to spokesmen of the small industry sector of the Confindustria, Italy's national employers confederation, small and medium-sized concerns have faced difficulties in obtaining funds from the banking system at a time when they could no longer rely exclusively on self-financing.

The Italian banking system has generally serviced the country's large private and State companies, while somehow overlooking the smaller ones despite their economic viability and vitality. However, after the disasters in some major state groups, the banks apparently are taking greater interest in smaller companies.

At the same time, these companies have not stood still. They

have grouped themselves into so-called "consortia", or consortia, to attract funds from the banking system but parted largely from local banks, at balance sheet and export financing.

Similarly, in a number of areas, especially in the industrial north of the country, a large concentration of small industries, operating under contract from large mechanical groups such as Fiat or Alfa Romeo, these companies have pooled together in consortia to boost their export performance and reduce their dependence on the large groups.

The country's current political uncertainties have also cast a shadow over the prospect of Italy's vehicle component sector. While the small group have tended so far to be immune from the country's political difficulties of the last few years, they are nonetheless indirectly affected by the general situation which hits the country's major concerns.

Companies such as Fiat traditionally have been in the eye of Italy's political turmoil at this stage could well dictate the shape of the country's future labour contracts.

Paul Bet

# State of flux in Spain

LIKE ALMOST everything in Spain at the moment, the vehicle components industry is in a state of flux, and only the brave or the foolhardy would be prepared to state the precise direction in which events will move. However, the horizon is clear enough, and called the EEC.

With this in view a battery of legislation on imports and exports has been drawn up, affecting both the components industry and the vehicle industry as a whole. The object is to ensure that when Spain enters the Common Market provisionally in January 1983, its key industries will be on something like an even footing with their competitors.

The Spanish administration has come up with two samples of this legislation so far and there is more to come, so that any appreciation of its significance is at best provisional.

Fortunately for the components manufacturers it is the vehicle makers that are still trying to sift the implications for their forward planning. For components manufacturers, the general tendency of the legislation is both clear and beneficial.

Last year Spain's vehicle components industry saw gross turnover peak at Pta 217bn. Investment in the sector, in a year when overall industrial investment dropped nearly eight percentage points, amounted to about Pta 10bn. As a measure of confidence in the sector, it is worth mentioning that FEMSA (Fabrica Espanola de Magnetos), Spain's leading electrical components concern, saw its share appreciate by 66.3 per cent in the first six months of last year, giving it a clear lead in the stock market ranking.

Nearly a quarter of gross turnover, valued at Pta 55.7bn, was for export, 56 per cent of it to the EEC and a further 13 per cent to the U.S., while jobs in the sector held steady at 130,000.

The sector's great strength was that before the recent changes in legislation, the vast majority of Spanish-made cars

had to be made up 80 per cent from locally produced parts. With the advent of Ford in 1973, the whole range of cars with limited penetration in the Spanish market were allowed to be built with up to 50 per cent of imported components.

Tariffs on imported components were fixed at a national 30 per cent but were effectively applied at around 5 per cent. Only if the manufacturer exceeded his allocation did the full tariff operate. Further, even this norm was relaxed in cases where, for example, general strikes in the Basque Country threatened to dry up domestic supplies.

## Changes

The new legislation aims to reduce the obligatory local content in Spanish-made cars from 80 to 60 per cent by 1982. But while, in principle at least, this allows importers a freer hand, there are two catches. First, the reduction is on a sliding scale which has not yet begun to move, and second, tariffs have in practice been raised.

The new tariff band runs from 28 to 18 per cent, lower than the national 30 per cent but evidently higher than the most frequently applied 5 per cent. This, it was pointed out to me by a trade source, was a considerable "goal" in the motor manufacturers' net designed ostensibly to strengthen the hand of domestically-controlled industries in future negotiations with the EEC.

The second big change envisaged by the legislation is that manufacturers can now import main components without hindrance. Engines, gearboxes and whole bodies can be brought in duty-free but not, say, carburetors, unless they are brought in as part of the engine. However, these imports must be financed 40 per cent from export receipts. At the same time, finished cars can be imported duty-free, but for every 100 brought in, 120 have to be exported.

But there is another catch. This linking of imports to exports sounds innocently

multi-national-spirited in the light of last year's freak export performance where it could adversely affect local component makers. Similarly, the suppliers of Chrysler, Ford, Citroen, Renault and Seat could have markets opened in the rest of Europe as the U.S. as a result of the multinational connection.

In essence, these measures were designed to curb the influx of foreign exchange—which was playing havoc with the government's strict money supply targets and therefore its anti-inflation drive—and allow the peseta to float.

Since then, the peseta has gained more than three points against the dollar. From the car manufacturer's point of view, therefore, it is harder to export, it is going to be equally as hard to import.

From the component industry's point of view, this allows them a breathing space in which to adapt to life outside the tariff-barriers, at the same time that the government can present the package as a progressive process of liberalisation.

Nevertheless, smaller suppliers of the automobile industry are unlikely to survive. Their extremely delicate cash-flow position was highlighted in March last year, when SEAT, still Spain's leading saloon-car manufacturer, although losing money at the rate of Pta 1bn a month, put its workers on short time in an effort to reduce stocks. The ripples engulfed several of its smaller suppliers.

But those companies that can expand undoubtedly will. This sector's basic health is underlined by the case of Ford suppliers. Though legally obliged to buy only 50 per cent of Fiesta components locally, Ford in fact buys 68 per cent.

More than the sector's progressive alignment with its EEC competitors, the components industry is likely to face its major challenge as a result of Spain's car industry being entirely in multinational hands. The progressive concentration of the car industry internationally makes local components manufacturers potentially vulnerable.

For example, Peugeot-Citroen were to decide that its

Madrid Chrysler plant could employ more effectively making say, gearboxes, it could adversely affect local component makers. Similarly, the suppliers of Chrysler, Ford, Citroen, Renault and Seat could have markets opened in the rest of Europe as the U.S. as a result of the multinational connection.

However, a brief glance at the equity structure of the sector's leading companies shows that in only one—CAY of BSA—does Spain hold a 48 per cent stake. Bendiborcas, Bendix, 39 per cent, DBA, of Pta 13.2 per cent, and Adwest (1.6 per cent). SAF of Pta holds 64.5 per cent in F&I Internacional, with Swiss Italian capital a further 22 per cent, while Dutch Eaton recently increased its stake in Eaton SA to 100 per cent.

## Diversity

FEMSA, the leading company in the sector and most significant Spanish-owned, came last year ceded 51 per cent of its equity to the German company Robert Bosch, an international. FEMSA was work under capacity and badly needed the capital, while Robert Bosch was concerned to squeeze Lucas from a lucrative market in which it already had a substantial stake through Rob Bosch Espanola.

This diversified equity structure leaves the component industry well-placed to spread its eggs and plan ahead, accordance with the needs of its multinational clients.

Nor is it worth overlooking in the light of the shifting need and strategy of the multinational auto manufacturer that Spanish car production, likely to rise substantially in the near future, seems probable. General Motors sets up in Spain. Evis Toyota has carried out soundings in Spain recently.

On balance, therefore, the news for Spanish component manufacturers is mostly good.

David Gardne



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EUROPEAN VEHICLE COMPONENTS VII

# Crucial need to cut weight

A gallon of petrol now ing the £1 mark the issue of the weight of vehicle components as an energy conservation even greater significance than it has done during the last decade. As a result, weight-cutting is becoming crucial for all manufacturers particularly in light of present legislation. In U.S. legislation requires makers to improve the fuel economy of their vehicles by an extra 2 mpg a year in five years to 1985—and manufacturers in the EEC and Japan take note of this.

Mr. Derek Whitfield, former managing director of Leyland Cars and now general director of the glass division of the Rockware Group, said: "Target (weight) reduction of 10 per cent, 20 per cent, 30 per cent, respectively for mid and late 1980s model years are both realistic and commonplace with all lean car manufacturers." A 15 per cent weight reduction could give an improvement of between 10 and 15 per cent fuel consumption.

Examples such as aluminium, steel, cast iron, and composites as carbon fibre and Kevlar will all play a part. Russian papers presented the sixth International Conference for Suppliers to the Motor Industry, in Geneva, north described possible weight reduction through the use of lighter windshields, light reinforced plastics, carbon fibres and light-weight prop-shafts and clutches; examples of which were shown by UK companies at the exhibition.

One area in which UK manufacturers have taken a technical lead is in glass. Triplex Safety Glass now produces a 3 mm glass. The swing towards side and rear windows of 3 mm or even thinner glass was predicted by Mr. John Pickard of Triplex at the Geneva exhibition. He claimed that the new windows could reduce by nearly a quarter the weight of glass in typical cars and contribute towards better roadholding by lowering the centre of gravity.

Since the 1950s 3 per cent more glass a year has gone into the average car every year as waistlines have been lowered, windshields deepened and rear windows enlarged. To counter this, glass thickness has been reduced progressively to the point where new technology makes possible the production of glass which is lighter than steel.

## Prediction

But the major savings in weight are in the use of light-weight materials as alternatives to steel and iron. Aluminium and magnesium alloys are important here, magnesium alloys being the lightest structural materials available—but they are more expensive than aluminium and so less attractive to manufacturers.

Last year U.S. car makers used more aluminium than ever

before—an estimated record 1,540bn lb of aluminium were shipped to car makers compared with 1,481bn lb in 1977. The average 1979 U.S.-made car contains an estimated 118 lb of aluminium—the most ever and it is predicted in the U.S. that by 1985 the amount of aluminium used in a car will reach 250 lb.

Aluminium is used in the engine compartment for camshaft covers, sumps, water pumps, clutch and gear housing, and for bumper parts and brackets.

The British car industry has followed rather belatedly the example of the U.S., European and Japanese car makers by switching to aluminium engine blocks and cylinder heads for mass market models. Use of aluminium by BL, for example, is likely to go up by 1983 from the present 20,000 tonnes a year to 28,000 tonnes a year if its car volume remains the same. Strength for strength, the metal is half the weight of iron or steel.

In the U.S. one exciting new development is that of increasing use of glass fibre. Mr. Larry Suter, of Rockwell International's Plastic Division predicted that his company's glass

fibre bonded assembly truck door, built for Mack Truck, was a forerunner of new developments in the automotive industry.

Rockwell is confident the door design is the first step to a fibreglass truck cab and a glass fibre door for the passenger car.

Also optimistic about the future of plastics in cars is Goodyear Tyre and Rubber. It talks of passenger car doors, hoods on cars and frame components all in plastics. Goodyear's involvement comes in that it manufactures structural urethane adhesives which bond together plastics and other materials.

At the Geneva exhibition Mr. Frank Shaw, executive engineer for Axle and Drive-Line Design, Jaguar-Rover-Triumph, said: "The whole picture of plastics is good only if the reliability and easy application of adhesives keeps pace with the increasing use of these materials and if the plastics themselves are better understood by the designers."

It is obvious that we must use plastics and fibres more and more, and the archaic practice of removing material wastefully

must stop. Parts must be fixed by adhesives and not by nuts, bolts and rivets."

But, plastics, like aluminium, have a diminished ability to absorb energy, require different surface treatments and have altered durability in the face of environmental influences.

Dr. Karlheinz Radermacher, BMW board member for research and design, said at the last BMW Engineering Conference that the use of light metals altered crash behaviour due to a different uniform deformation rate from that of steel.

They made shaping more difficult and opened the possibility of contact erosion if insufficiently isolated from steel parts.

One of the newest light-weight materials is carbon fibre, a resin-based reinforced plastic material whose use was pioneered in the U.S. space programme.

But the Catch-22 situation is that carbon fibre is expensive—Ford of the U.S. built an all-carbon fibre car which could easily be lifted by two men but it cost \$3m. But costs are coming down: 13 years ago carbon fibre cost £250 a pound, it now costs £25 a pound. The eventual target price is about £5-£8 per pound

at 1979 prices—slightly above the cost of steel.

While Ford is using its \$3m car to study manufacturing feasibility it is also going to use a carbon fibre component in its 1980-81 cars. This will be a small bracket to hold down the air conditioner. This bracket suffers severe stress and is subject to fracturing. So here, ironically, it is the strength of carbon fibre, not its lightweight characteristics, which are important.

In the UK the BRD company, part of Britain's largest engineering group GKN, is the chief supplier of carbon fibre and aluminium shafts. While these save weight, costs are so high as to limit applications to specialist vehicle producers. A typical steel prop-shaft would weigh 12 kg. One of the new composite materials would weigh 6 kg.

Mr. Sandy Ross, chief marketing executive for GKN, predicts that the most likely carbon fibre component for volume-produced cars will be the prop-shaft. But in the long-term GKN is also looking at the use of carbon fibre for leaf springs and the load-carrying bed of commercial vehicles.

Lisa Wood

## Fastening Ideas... FROM BKS

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## Increase in electronics

DESIGN a microcomputer into a motor car is one thing. To ensure that it works under conditions of rain, heat, vibration and misuse is another. But perhaps the most difficult of all is to anticipate what will happen when a car-controlled car breaks in a dark Saturday night country road far from home, for it still is possible, not too sleepy garage mechanic can be roused from his chair, and parted from the day to try to get the car moving again. Will it where to start?

not at all clear whether the car will know all about its own condition, or whether it will be equally about checking the operation of a microprocessor and its associated circuits. Will they for example, what tests to establish whether the microprocessor module itself is failing, or whether the car's control is failing to deal with some electrical fault in the vehicle?

ample

a simple example. A computer might be programmed to stop functioning if engine temperature rises above a safe level. This would obviously be a safety feature. If the computer a dashboard light to say the engine was too hot. But the dashboard light was it? How would the car begin to discover why the computer had stopped the engine? A might reasonably expect the computer itself to detect and replace it. The engine would over-rev again, and the new car would stop the car a time, perhaps several after the customer had it away.

type of problem can, of be overcome by building checking circuitry into the car system and by giving the car man appropriate signals. The application of electronics to engine control is a host of other functions. The aircraft industry has been using electronics for many years, and the most recent advances in electronics are being applied to cars.

the next few years, all new cars will be fitted with electronic control. This is because if they are to meet the regulations on control and fuel consumption from the European Protection Agency. The stringent of these regulations into force in 1980, average fuel consumption in the U.S. is expected to be 25 mpg per car in the year 1980.

computer can help to pollution and fuel consumption by calculating the precise mixture of air and petrol required for the best performance of the engine at any given moment. The computer is connected to a large array of sensors (its eyes and ears) which will feed in continuous information on road and engine speed, temperature, load, acceleration and other parameters.

After calculating the correct air to fuel mixture, the computer sends instructions to electrically operated valves in the carburettor system.

The micro-computer itself is only about 2mm square, mounted in a plug about the size of a domino. It can contain 12,000 to 20,000 individual circuit elements and is capable of performing several million calculations each second.

Micro-computers will also be applied in the next few years to a variety of other purposes in automobiles besides fuel mixture and ignition control.

From a safety point of view, perhaps the most important is computer control of the braking system to prevent skidding. Special sensors are attached to the wheels to detect the beginnings of a skid. These sensors feed signals via the computer into the braking system to ensure that the maximum braking pressure is applied short of that which will result in a skid. Experiments so far indicate that this type of system can reduce the stopping distance on a slippery surface by as much as a quarter.

The computer can also be used to reduce the complexity of electric wiring in automobiles. Instead of having bundles of wires leading from the dashboard to each lamp, windscreen wiper, and other electrical units, it is possible to make do with only two sets of wires. One set would be a ring main carrying power right round the vehicle to wherever it is needed. Alongside the power cable is a signal wire connected to the computer, which in turn is connected to the dashboard switches.

When, for example, the headlights are switched on, the micro-computer generates a special code which travels down the signal wire to all the lights, but is only recognised by a special circuit at the headlights. This circuit, having recognised the signal, operates an electronic switch which automatically connects the headlights to the power ring main.

This type of system will be generally adopted as soon as the cost of the electronic components falls below that of the wiring and the associated labour costs.

The motorist would probably not know the difference in this type of application, but some uses of computers in cars are already highly visible. New types of instrument display, for example, with a digital read-out are possible.

In the longer term systems developed for avionics which project an image of instruments beyond the windscreen could become available in the more expensive automobiles.

Trip computers, which will calculate average petrol consumption, estimated time of arrival and other useful figures are already available. Before all that long cars will be fitted with computer-controlled locking systems and possibly even computer tests to limit drunken driving.

Max Wilkinson

# One way or another, we usually get our own back.



UK: BRD Co. Ltd., F & P Winton Ltd., GB Auto Composites Ltd., GKN Axles Ltd., GKN Kent Alloys Ltd., GKN Powder Forging Division, GKN Sankey Ltd., GKN Sharnlow Ltd., GKN Shotton Ltd., GKN Transmissions Ltd., Geringtons Ltd., Hardy Spicer Ltd., Hardy Spicer Walterscheid Ltd., Kirschtall Forge Engineering Ltd., Laycock Engineering Ltd., Newton Transmissions Ltd., The Phosphor Bronze Co. Ltd., Salisbury Transmission Ltd., Scottish Stamping & Engineering Co. Ltd., Smithwick Drop Forging Ltd., Smith-Clayton Forge Ltd., West Germany: GKN Forgings GmbH., GKN Sankey (Europe) GmbH., GKN Universal Transmissions GmbH., Gelenkwellenbau GmbH., Lohr & Bromkamp GmbH., Walterscheid Jean GmbH., Walterscheid Schmiede und Presswerk GmbH., Austria: Gelenkwellen - Gesellschaft mbH., Belgium: Glanzer - Seurre SAB, Brazil: Albarus SA Industria e Comercio, Canada: Vandervell Canada Ltd.,

Denmark: Dansk Uni-Cardan A/S, Karl Moller Naegbol A/S, Finland: Oy Hardy Spicer AB, France: Etablissements H. Bernard SA, Glanzer Spicer SA, Societe des Ateliers de Ribemont Sarl, Societe Mechanique de La Loupe Sarl, Svaldos SA, Uni-Cardan France SA, Walterscheid - France Sarl, Holland: Uni-Cardan Nederland BV, India: Sankey Wheels Ltd., Sharnlow India Ltd., Italy: Sirfield Transmission Spa, Uni-Cardan Italia Spa, Vandervell Italia Spa, Norway: Uni-Cardan Norge A/S, Spain: Targa SA, Sweden: Nordiska Kardan AB, Scastra Aktiebolag, USA: GKN Automotive Components Inc., Walterscheid Inc.

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# High street parts battle

EUROPE'S 90m car owners spend an estimated £6.597bn annually on replacement parts. The more cars running on a country's roads, the higher the expenditure. West Germany, with more than one-fifth of all European cars on its roads, has the largest replacement market—worth more than £1.5bn at retail prices, according to estimates from AC Delco.

Next come France, Italy and Britain with markets valued at £1.384bn, £1.08bn and £1.04bn respectively.

But Britain has developed an "after market" different from its Continental neighbours. In mainland Europe the traditional channels of trade persist with the original equipment manufacturers supplying wholesalers and dealers while the

retail end of the business is dominated by garages. In Britain since the end of the 1960s a different breed of manufacturer has sprung up, offering replacement parts which match those used when the car was first assembled. These "pirates," as they were once dubbed, stimulated a change in the wholesale trade which, in turn, enabled the retail end to fragment into a very complicated network.

Britain now has an estimated 5,000 non-traditional outlets for replacement car parts, about three-quarters of them independent shops and the remainder part of multiple chains. Between them they are reckoned to control more than half the retail business. Britain also has 11,500 vehicle

dealers and garages which were the traditional suppliers of spares and then there are also 20,000 or so repair garages and 25,000 petrol stations which are offering replacement parts in some way or another.

The original equipment makers have been fighting back to regain some of the replacement business lost to the "pirates" and, more recently, to make sure that they do not get left behind as the numbers of imported cars in the total on Britain's roads continues to grow.

BL led the way with the introduction of its all-makes Unipart programme, under which parts for its own cars and most other popular makes—including some European and Japanese imports—are supplied

to main dealers and to independent High Street outlets, to supermarkets and mass merchandisers. Unipart even has retail shops of its own.

Ford and Chrysler followed with similar all-makes parts programmes under the Motorcraft and Mopar brand names. Their parts are distributed widely through independent outlets as well as through dealerships but they do not have retail outlets.

AC Delco, the General Motors European components division, is also strengthening its replacement parts programme in Britain and the rest of Europe and aims for a 25 per cent share of wholesale distributors' parts volume by 1980.

Mr. John Costin, AC Delco's European area manager for the

UK and Ireland, says: "The pattern of retailing now requires a much more streamlined programme from suppliers. There are literally tens of thousands of different parts and no retailer can possibly hope to stock them all. The solution has got to be a well thought out range of key products covering the widest possible spread of vehicles."

So his organisation has 16 high-turnover lines covering both British and foreign cars.

One of the main reasons for the growth in High Street retailing in Britain is the existence of the large independent wholesale network—1,200 independent wholesalers at the last count—and the absence of networks of this sort in the rest of Europe has enabled vehicle manufacturers to retain a much bigger share of the replacement market in such countries as Germany, France and Italy.

But, inevitably, there are pressures for change on the Continent. The most recent overt example has been the

West German Cartel Office's attempt to stop Volkswagen from insisting that its appointed dealers and service points buy space parts from VW which it does not produce but which come from its component suppliers.

The Office is also looking at BMW, which it says is the only other major German car concern to bind its dealers and service points in this way so that they have to accept parts from BMW even though they are made by an outside supplier.

Excluding tyres and batteries, there is a range of between 20 and 30 parts which lead the replacement market in terms of purchasing frequency—fast-moving items such as gaskets, filters, hoses, brake parts, wiper blades and ignition parts including spark plugs.

## Widespread

A high proportion of these parts is bought by motorists to fit themselves, especially in

Britain where do-it-yourself (DIY) maintenance and repairs is more widespread than the rest of Europe.

Last year 83 per cent of Britain's 15m car owners spent an average of £65 each on parts, accessories, equipment and car care products to enable them to look after their vehicles themselves, according to a study by Industrial Market Research and Auto Accessory Retailer magazine.

The report suggests that the UK DIY market is worth £217m at the retail level, with £450m going on replacement parts (55.1 per cent of all sales in 1978). Sales of accessories to DIY motorists totalled £222m representing 27.2 per cent.

The other major market segments are maintenance and repair equipment (socket sets, spanners, foot pumps and so on) with sales valued at £93m in 1978 and car care products taking £52m.

Splitting the replacement parts segment into more detail, the study suggests that the major product groups are electrical parts, with sales of £110m; steering and transmission parts, £86m; engine parts, £84m; suspension and brake parts, £80m; and chassis and body parts, £62m. Overall in the DIY replacement parts market the leading products purchased are filters, spark plugs, dynamo and alternators and brake parts.

On where the parts are bought, the IMR report says accessory shops account for 32 per cent of the market with sales valued at £263m shared by independent accessory shops (£139m) and chain and multiple shops accounting for the remainder.

Sales through garage stores are valued at £243m or just below 30 per cent of the market. Other outlets are specialist outlets (£85m), mail order (£151m) and department stores (£34m).

According to the report one of the most important changes in the next few years is the anticipated growth of imported cars in Britain, which are now expected to account for 38 per cent of cars by 1982. "A trend that has important implications for the aftermarket generally and the DIY market in particular."

With this in mind a group of some of the best-known manufacturers have formed the British Automotive Parts Promotion Council, which is currently spending £200,000 on a campaign to remind independent garages that the UK can supply parts to fit nearly all makes of cars and that servicing an imported vehicle should not be beyond the ability of an averagely competent British mechanic.

K.G.

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## Michigan

# Opportunities in U.S.

AMERICAN CAR makers have been given no choice by the U.S. authorities: very stringent new fuel economy and pollution control regulations must be met progressively up to 1985. This has necessitated a huge investment in cash and engineering resources. It is also offering lucrative opportunities for those European component companies which have special expertise to offer.

To meet the fuel economy legislation the U.S. manufacturers must make smaller and lighter cars, much more like European vehicles than anything Detroit or Dearborn has offered in the past.

But Europe and the U.S. are too far apart geographically for one to provide a proper service to the other. So the Europeans have already begun to set up manufacturing and engineering operations in the States.

One of the most important factors in the changes which are rapidly being introduced in America is that General Motors, which accounts for more than half the sales in the world's biggest new car market—11m a year—with such names as Cadillac, Chevrolet, Oldsmobile, Buick and Pontiac, has decided that the diesel engine provides part of the answer to the fuel economy challenge.

Mr. R. M. Estes, G.M.'s president, has predicted that at least 25 to 30 per cent of his group's cars will be powered by diesel engines in 1985.

General Motors must meet this target if it is to comply with the Corporate Average Fuel Economy requirements. American manufacturers have been told by Washington to cut average fuel consumption across their model ranges to 28.5 U.S. mpg from today's average of 18 mpg.

General Motors feels that the diesel option is the best means available to help meet the economy requirements while at the same time being able to

continue to offer customers a six-seater car.

If the company is right, then the U.S. is in for a diesel engine "explosion." And Europe's two big rivals in the supply of fuel injection equipment for diesels have no intention of taking a chance that GM has booted.

Robert Bosch of West Germany has been in the States for some time—it built its American plant at Charleston, South Carolina, in 1973. But its arch rival, Lucas Industries of the UK, did not make its move until 1977 when it announced that its CAV subsidiary would begin assembling fuel injection pumps at a new factory in Greenville, South Carolina.

## Determined

Previously, Bosch's American customers were mainly builders of truck diesel engines—companies such as John Deere, Mack and Detroit Diesel, the General Motors subsidiary. Now Bosch is preparing to expand its U.S. operations step by step to meet the demands of customers. One of those customers is Volkswagen, now assembling cars in the States, and which is taking equipment for the diesel version of its small car, the Golf, which is sold in the States as the Rabbit.

Lucas also had established diesel-engine manufacturing customers who were determined to make their presence felt more strongly in the U.S. and it was inevitable that Lucas would have to follow.

The \$3m CAV plant at Greenville includes a comprehensive engineering centre for applications work as on-spot engineering support is essential for U.S. engine builders seeking type approval for products in the face of tightening environmental controls.

While both Bosch and Lucas-CAV chose to set up U.S. businesses in the Southern

States where State financial incentives are high and trade union strength is low, another major European components maker, Automotive Products of the UK, moved into the very heart of the American car industry last year by setting up shop in Troy, Michigan.

As with Lucas-CAV, Automotive Products said its move had been "motivated by the increasing demand from the U.S. vehicle manufacturers for close contact with the purchasing and engineering areas of their international component suppliers, occasioned by a new generation of "world car" developments now playing such an important part in Detroit's activities."

Last September the group made the breakthrough it was hoping for in the U.S. by winning a \$10m order to supply clutches for Chrysler's new "world car" due to be launched in the early 1980s. The order, for 100,000 diaphragm spring clutches a year for five years, was secured in the face of intense competition from Japanese and West German makers as well as U.S. companies.

The clutches are a unique Automotive Products design. The group is going ahead to equip its Troy plant at the initial cost of \$2m and recruit 200 employees. The plant will be capable of producing 250,000 clutches a year but Automotive Products insists this is not excessive because of the move to manual gearchange which is expected to accompany the downsizing of American cars.

At present 88 per cent of cars on U.S. roads have automatic transmission but both General Motors and Ford have told Automotive Products that they expect 50 per cent of the new, smaller "world cars" to have manual gearchanging.

Another significant feature of the U.S. "world cars" will be that they will often incorporate front-wheel-drive. Up to now only one in 100 American-built cars has had front-wheel drive but if the forecasts are right, that proportion will shoot up to 50 per cent by 1985.

This change has opened up enormous opportunities for Britain's biggest engineering group, Guest Keen and Nettlefolds, which has roughly one third of its turnover in automotive products including a piece of equipment used in front-wheel drive cars called the constant-velocity joint.

The joint transmits power from the engine to the front wheel and GKN holds a unique position in the development and quantity production of constant-velocity joints.

This explains why the UK group has started to build a \$42m plant at Sanford, North Carolina, to produce enough of the joints for 500,000 cars a year by 1980 (there are four of these items to each car costing around \$80 to \$140 a set). As GKN has been making about 14m constant-velocity joints a year in Europe, this U.S. venture increases output 14 per cent in one big step but already a second American plant is being planned.

GKN for some years has been trying to build up its overseas earnings because the board felt that it had too much at stake in the UK. An attempt to make a big leap forward on the Continent was foiled by the West German Cartel Office which successfully contested through the courts the UK group's proposed purchase of the Sachs clutch-making concern. As a result GKN looked to the States, another thriving and stable market.

And, apart from the North Carolina plant, GKN recently agreed to buy Parts Industries Corporation (PIC) of Memphis, Tennessee, a private company located mainly in the south central states but the fourth-

largest automotive replacement parts and accessories distributor in the U.S. Its turnover is about \$100m a year.

Turner and Newall, another UK group seeking expansion elsewhere to offset the problems of a shrinking home base, bought the Nutum Corporation in the U.S. as a company through which the expertise in friction materials of T and N Ferodo subsidiary could be channelled.

Nutum has been selling more than \$20m-worth of products in the replacement market using the Leland and Grizzly name.

But T and N is now expanding the business and has opened a \$10m manufacturing plant and warehouse at Smithville, near Nashville, Tennessee and expects to break into a original equipment market: heavy-duty brake blocks, drum brake pads, drum brake lining clutches—in particular for "world cars."

K.G.

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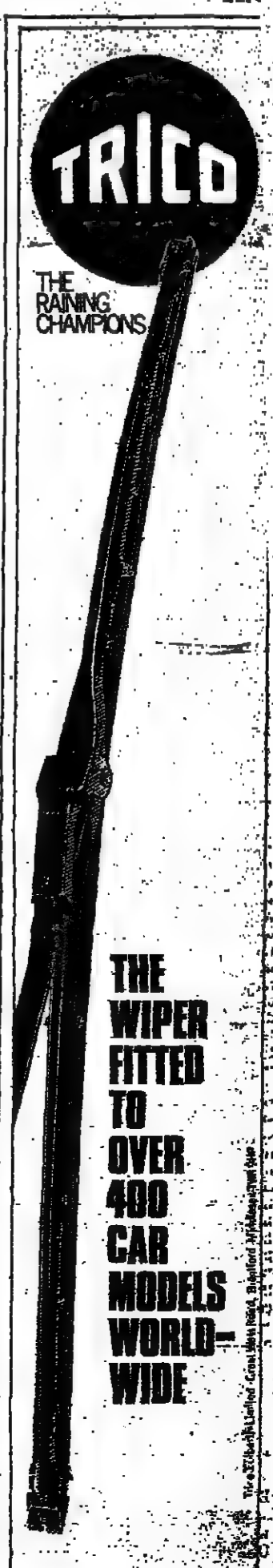
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Jeff Smith

# Court challenge to bank lending practice

By MICHAEL LAFFERTY, Banking Correspondent

CASE of Williams and Glyn's, currently running in the Bench Division of the Court, may yet go down as one of the most important cases ever to be decided. Experts are predicting a decision in favour of the bank, with Blackburn Rovers, bring about vast changes in the relationship between bank and customer.

## THE INSOLVENCY QUEUE: WHO GETS PAID FIRST

1. Receiver's fees. Fixed charges.
2. Preferential creditors (PAYE, VAT, other taxes, wages, rates, etc.).
3. Floating charges.
4. Unsecured creditors.
5. Shareholders.

greatest potential threats to be the overdraft or floating charge form of security, which is a feature of the current assets of many of the most successful companies in the country. Both, as we shall see, are in need of clarification.

so many aspects of bank-UK, the status of the overdraft and the methods used to arrange security lending to customers are matters of custom and practice. Bankers, at least the clearing banks, see great advantages for the user in this flexible form of security. But basic issues such as the fundamental right in overdrafts on demand, and the duties of a banker to his customer have never been tested in the courts until now.

floating charge debenture has been the subject of very little case law. The banking community is to gain a foothold in the courts for the first time. There are now some 10 cases pending in this area of lending might not.

theoretical presumption that every overdraft that has been granted by a bank is a loan, is not available on demand. In

of bank finance because interest is charged each day only on the amount of money borrowed. In addition, arrangements are informal, often amounting to little more than a brief visit or even a phone call to a bank manager. Finally, there is generally no legal documentation beyond possibly a letter from the manager confirming the facility as agreed, and the signing of a debenture stating that security the bank can call on should the borrower default. For most businesses, the debenture will be a floating charge on the current assets of the firm.

The big disadvantage of the overdraft, on the other hand, must be the fact that it is repayable on demand. But can this be justified any more? The clearing banks admit that overdrafts are used by companies as a major source of working capital, as well as for the acquisition of fixed assets in some cases.

## Contractual

What is the contractual position? At the end of the day it would appear that overdrafts must be regarded like any other business transaction. The precise position in each case therefore depends on the terms agreed between the bank and customer. If a bank manager tells a customer that he has an overdraft facility for £1m, which will be reviewed again in a year, there must at the very least be a possibility that the bank is obliged to maintain that facility for the year, subject to whatever conditions are agreed between the two parties.

But here again there are problems. It is not at all the normal practice for a bank manager to specify the conditions under

which he will regard his money as repayable when he grants a customer an overdraft. It is all part of the flexibility which surrounds the overdraft.

There is another feature of the overdraft which highlights the anomaly of banking practice in this area. The banks accept that a substantial, though

loans, to be used in the event of liquidity problems.

The floating charge generally goes hand-in-hand with overdraft borrowing by companies. Frequently bank lending to companies will be secured by a fairly standard debenture creating fixed and floating charges on the net assets of the busi-

cides to call in its overdraft after the company has hit trouble — the bank has the right to appoint a receiver and manager. The receiver's job is to realise sufficient of the charged assets to pay off the bank's debenture.

The latest "attack" on the floating charge concept came in the evidence given by the American Bankers Association of London (ABAL) to the Wilson committee. The U.S. banks are accustomed to, and prefer to obtain, specific security over assets, rather than use the floating charge. This means that uncharged assets are available to support credit from other banks. ABAL members view this "as a fairer system of security in lending, and one which tends to focus attention more upon the viability of the borrower than on the security values in a liquidation." They claim that the British system only encourages the taking of blanket security, thereby making it difficult for companies to find other lenders.

Naturally, the British clearing banks do not accept such criticisms. They say the American banks in Britain only have experience of lending to large companies and government agencies, where it is also not the practice for UK banks to take floating charges. The clearing banks also claim to be aware of cases where breaches of the formal conditions attached to U.S.-type lending have triggered an inevitable process of liquidation that might have been avoided with the floating charge system.

In practice, in spite of the British clearing banks' staunch defence of the floating charge, it is clear that the value of the charge itself has been damaged considerably over recent years. The introduction of Value Added Tax in 1973 means that companies going into receivership are often found to owe the Government vast amounts of tax as well as PAYE, which enjoys preferential repayment

## THE CASE OF WILLIAMS AND GLYN'S V. DEREK HUGH BARNES

Williams and Glyn's, one of the clearing banks, is suing Mr. Barnes for some £1.5m, consisting of two loans (plus interest) made several years ago. Mr. Barnes, then chairman and a major shareholder in the Northern Developments household group that collapsed in 1973, is counter-claiming for £311m—the value of his stake in the company at its peak.

Mr. Barnes is arguing that the bank made it impossible for him to repay the loans by destroying the value of his shareholding, which was the main security for the loans. Northern Developments had failed when Williams and Glyn's called in £1m of overdrafts at short notice in June 1973 and then put in a receiver. As part of the Barnes' case the bank's right to recall the overdrafts on demand is being challenged. It is also being asserted that Williams and Glyn's "owed a duty to Northern Developments and its shareholders to act in a careful and responsible manner toward it and to advise it as to its financial position and affairs with proper skill, care and diligence."

The case is expected to run until the autumn, at an estimated total cost of at least £1m. If the bank should lose, appeals as high as the House of Lords seem likely.

unquantifiable, element of their overdrafts is of a hard-core nature, and *de facto* term lending. They also emphasise that there is now a tendency to move more and more corporate customers over overdrafts on to formal medium-term loans. However, as the clearing banks admitted to the Wilson Committee, "there are limits beyond which turning short-term deposits into longer-term loans would be unjustifiably imprudent. In there were a significant upturn in industry's demand for medium-term loans... it might be necessary to consider the possible introduction of official refinancing facilities for such

new, as necessary. A fixed charge simply means that lending is specifically secured by particular assets, such as land or plant; until recently it has been assumed that fixed charges can only be secured on fixed assets. A floating charge, on the other hand, is secured in the sense that it floats on the current assets of the business without attaching to any part of them in particular.

This has the advantage that it allows the directors of a company freedom of action in the general turnover of stocks and debtors in the ordinary course of business. But if the need does arise — typically the bank de-

## EXTRACT FROM A BANK'S STANDARD DEBENTURE FORM

The company as beneficial owner hereby charges with the payment or discharge of all moneys and liabilities hereby covenanted to be paid or discharged by the Company:—

(a) by way of legal mortgage all the freehold and leasehold property of the Company, and fixed plant and machinery

(c) by way of first fixed charge all future freehold and leasehold property of the Company, and fixed plant and machinery from time to time thereon and all the goodwill and uncalculated capital for the time being of the Company.

(d) by way of first fixed charge all book debts and other debts now and from time to time due or owing to the Company;

(e) by way of a first floating charge all other the undertaking and assets of the Company whatsoever and wheresoever both present and future but so that the Company is not to be at liberty to create any mortgage or charge upon and so that no lien shall in any case or in any manner arise on or affect any part of the said premises either in priority to or pari passu with the charge hereby created and further that the Company shall have no power without the consent of the Bank to part with or dispose of any part of such premises except by way of sale in the ordinary course of its business.

\* The new clause, taking a fixed charge on debtors

In addition, it has recently become the fashion for trade creditors—who inevitably come out worst in a receivership—to incorporate clauses reserving title to goods supplied until they are paid for, in their standard conditions of sale.

## The best part

The banks' response to this move is only now becoming evident. Increasingly they are taking fixed charges on debtors (or book debts)—in effect taking the best part of the assets previously secured by floating charge into the first rank in the repayment schedule.

A related benefit is that fixed charges become effective immediately, once registered, whereas floating charges may not become fully "crystallised" until a year has elapsed. Barclays has been including a clause to this effect in its standard debenture form for several years and, despite occasional protests from liquidators and receivers, it has not really been

challenged on the right to do so. Almost by accident last year the little-known Siebe Gorman case in the High Court appeared to give legal authority to this procedure.

Barclays has been joined in the past year or two by National Westminster Bank, while Lloyds, though officially still considering the matter, is about to start taking fixed book debt charges as well. The only exception is Midland Bank, which appears to have some doubts about the legal validity of the whole idea of taking fixed charges on debtors.

Whether the issue will ever be decided depends on whether a receiver or liquidator decides to challenge one of the banks. This may not seem altogether a likely possibility because the receivers depend for their work almost entirely on the big banks, while the matter is hardly worth arguing about when the residue after an insolvency passes to the liquidator. In the meantime matters will simply continue as they are—based on custom and practice.

## Letters to the Editor

### ie root of inflation

Mr. W. L. Fairweather.

"The Law in the Budget" presented by Sir Geoffrey which could prove fatal to the nation in combating the root of inflation which has been nation since the war, is its failure to inflation at its root in the very system.

The Chancellor's one-redeed, Mr. Barber, has a change in the which built inflation into the bank liquid assets with each up the scale. Perhaps this was the Wilson Committee which is looking into matters (still to report) is a desperate attempt to the fresh start which have been expected. Only would deny the potency of inflation or dispute the which Government is doing it about. It is the matter, ever which 1971, Government control the standards of earlier been almost totally done by its absence.

Illustrate this, total is held by the public at clearing banks by mid-1978 had reached a total of just 9.69bn. At this level they would be free from seasonal on practically stationary the first few months of 1978. Then in July 1978 they rose sharply to £12.5bn and of the year to £16.7bn and to £22.5bn by December 1978.

Labour Government which to office soon afterwards change this although it a great deal of time and in controlling the inflation, at first with some success. By the end of 1978 the level of deposits was still 14.0bn, rising by a further 1.7bn in 1979. But in 1977-78 the rise was the worst of the years reaching a total of 1.7bn at the latest count in that is over six times the at which they stood in 1970.

is the problem with which Government has to deal. So it remains interest rates always be too high for productive investment. prices rise it will always go for the short-term gain than for the long-term which can only yield 5 after years and in terms, some only. There is no that the outgoing Labour Government was extremely in its neglect of the "policy" of the 1978 which policy which to succeed more strict, not less control of the banking, much more direction of try and strict control of to ensure that demand to assist employment was lifted in higher prices and likewise this Government ing as it does in free enterprise industry its head, out the aid of monetary and pay the electoral quences it fails.

Fairweather, 77 Grosvenor Avenue, Dundee.

secret public money

Mr. Stanley Alderson

In the wake of the the, we should remind ours of a financial scandal, is still outstanding. In 1975, it was admitted

to the House of Commons Public Expenditure Committee that the Treasury had somehow lost £5,000m (£4,000 for every family in this country). So far there has been no proper public account given, apparently no resignations or other action taken, not even a debate in the House of Commons.

In this book, "Your Disobedient Servant," Leslie Chapman, an ex-civil servant, has blown the gap on waste, extravagance and manipulation by the Whitehall bureaucracy. He writes (page 168): "This book is concerned only with the financial consequences of unnecessary secrecy in the public sector, and there should be no room for misunderstanding on this point: while the Official Secrets Act is used as it is in this country, blinding and incompetence of all kinds can flourish undetected, and the taxpayer will pay dearly for this."

As Official Secrets Act should be used to protect the security of this country; it should not be used as often at present to secure the protection of the whimsies to our own society from within.

"The" catch all Section 2 of the Official Secrets Act of 1911 should be repealed with dispatch; and replaced by a positive measure, namely a Freedom of Information Act. One immediate consequence of repeal of Section 2 is that it would set free those middle grade or senior staff of the public services who have since contacted Mr. Chapman, because they had "reason in the past to be angered or outraged by the way in which the Official Secrets Act had prevented them from doing anything about obvious abuses which they themselves had uncovered."

Mr. Chapman concludes, "This indignation was at once a measure of the way in which the Act had interfered with proper administration in this country and a good omen for what may happen if these restrictions are removed."

Stanley Alderson, 7 Highfield Avenue, Cambridge.

## Green pound devaluation

From the Managing Director, Foulsham Farming

Sir—Christopher Parkes' article (June 14) emphasises the need for a Green pound devaluation if British agriculture is to make even a pretence at producing more food. I should like to comment on two aspects of his report.

Firstly, he makes the point that Ministers of the other nations might object to Green pound devaluation for Britain would then have their prices frozen. It must, however, be relevant that British producers are receiving markedly less for our products than are our colleagues in mainland Europe. Perhaps the extreme example being the 50 per cent more that German farmers are receiving for their milk when compared with Britain. This year the average return to British milk producers will be about 50p per gallon, or 61p per pint, which makes an economic sense when one considers that while the Agricultural Minister John Silkin (who can claim to have done more harm to British farming, and the ancillary industries, than any other person in modern times) stated in 1977 that by January 1978 British producers would be receiving 61p per pint for their milk. Since then, of course, we have "enjoyed" an increase in

costs of at least 25 per cent.

Secondly, Christopher Parkes refers to the awful weather of the past eight months but then implies that this is why farmers are asking for higher returns. Yes, it has been terrible weather and it has added considerably to farmers' costs but weather should be considered a normal business hazard and should never be used as an excuse for asking for higher returns. I have yet to hear good weather being used as a reason for accepting lower prices!

The reason that British farming has to have higher prices if it is to progress and produce food economically for the consumer is because five years of extreme dogmatic party dogma has meant that the industry has had to rely on frighteningly rapid increases in bank lendings even to stand still.

The present plight of the agricultural machinery industry, parts of the processing industries and other companies that rely on British farming for their survival reflects the recession that has been caused by five years of misrule when pandering for votes was the basis for decision-making.

The present Government has so far said all the right things. The British agricultural industry, and its dependants, awaits the necessary action.

Anthony Rosen, Moor Hatch, West Amesbury, Salisbury.

## Definition of higher-paid

From Mr. P. J. Brown

Sir—A new Companies Bill is shortly to be laid before Parliament. May I enter a plea that our politicians should consider the revision of the £10,000 and above figure that defines "higher-paid" employees for the declaration required under Section 8 of the 1967 Act.

£10,000+ was a very considerable salary in 1967 and covered the really top men in a company. However, this figure has been overtaken by inflation and I wonder how many companies now find that their list includes hourly-paid workers?

Clearly, this declaration, which was never very helpful in the first place, is now becoming totally meaningless, but the work involved for company secretaries, accountants and auditors is considerable at the end of each financial year and, with inflation, is increasing each year.

P. J. Brown, Michaelmas Cottage, 130 Reigate Road, Ewell, Surrey.

## VAT on private cars

From Mr. H. Gilligan

Sir—I refer to your issue of Thursday, June 14, and in particular the article on Page 6 under the heading "BT Car dealers ready for last minute sales rush." By Kenneth Gooding, your Motor Industry Correspondent. I quote from the article as follows: "However, the UK new car market is dominated by company purchases. At least six out of 10 new cars are bought by companies or partnerships that are not affected by the VAT increase."

This of course is wrong—VAT on private cars cannot be charged to VAT input as the purchase of vans, trucks and all other items, in fact cars, is the only item, to my knowledge,

which a company or partnership cannot charge to their VAT input account and so recover the VAT against their output. H. Gilligan, Chairman and managing director, County Garage Company, Hardwicke Circus, Louth Street, Carlisle.

## The mysteries of golf

From Mr. Adrian T. Lamb

Sir—Wimbledon fortnight is not very far away, so it seems an appropriate time for me to write to express what, I feel, must be the views of many people who watch sport on television.

In all the tennis matches I have ever watched on television, we are told what the players are doing even though we can see the players doing it, and on some occasions we are even told what they must be thinking—very clever of the commentators to know in addition, every point and law of the game of tennis is explained time and time again and it is often necessary (for me at least) to turn off the sound and merely watch. However, do we get the same treatment for golf? Not likely! Nothing is explained, except who is putting/driving/in the rough/in the bunker/for the green etc.

In short, why the constant voice of the commentator for tennis matches when golf, especially, is not explained at all? Adrian T. Lamb, 44, Portland Road, Stonegate, Leicester.

## Prices and inflation

From Mrs. Susan Liddell

Sir—I have in front of me a letter from the Chancellor of the Exchequer written in October 1976, in which he says "I do not believe that the mixed economy can very long survive in the context of interest rates such as we now face"—i.e., 15 per cent. In his budget Sir Geoffrey raised the rate to 18 per cent. Of those levels so he is apparently willing to put our economy at risk in pursuit of the unproven and doctrinaire theory that there is a unique relationship between the money supply and the rate of inflation.

I find this quite terrifying since in my opinion, few if any economic theories can be applied in an undiluted form to the real world. Least of all this particular one since there are at present five completely different ways of defining money. I have therefore every sympathy with my pupils when they ask me to explain exactly how putting up the price of everything will bring down inflation. Perhaps one of your readers can help.

Susan Liddell, (Parliamentary Liberal Candidate 1978 election), Dormans Corner, Longfield, Surrey.

## Projects in Kenya

From Mr. J. Robertson

Sir—As a former resident of Kenya, and your special Kenya (June 9) most interesting, I feel, however, that Martin Dickson's article on "Hopes of

transforming the semi-arid lands" gives the impression that little or nothing in soil and water conservation has been achieved in past years. In particular, I refer to the pioneer work of the Soil Conservation Service in the post-war years, when dedicated teams of workers led by Colin Maher and Robert Barnes experimented, designed and executed extensive terracing projects and earth dams in the Mts. Kenia area. Similar work was carried out in Nyamira Province by SCS and in KIC district by Mr. Kelly, the DC there in the 1950s.

It is encouraging to note that Mr. Jesse's team recognise the problem of sustaining the EEC programme after they have left: hopefully, operation and maintenance teams will be trained for this crucial purpose and that they will be effective for many years to come. As Mr. Dickson points out, dams in the past have silted up, but it should be mentioned that in many instances villages (and farmers in the White Highlands as well) were shown how to build soil traps above the dams, but alas, this was not done.

The Government of Kenya should be congratulated on initiating this promising project and I trust, Sir, that you will include a progress report on it in your next feature on Kenya.

J. Orr Robertson, Greddock, Kicumba, Girvan, Ayrshire.

## Take home pay

From Mr. Brian Gray

Sir—Now that the top rate of Income Tax is to be substantially reduced, could I as a shareholder suggest that it is an opportune moment for published company accounts to cease including the irritating table which tells me how little take-home pay my directors have; always assuming, of course, that they are married, with two children, Matthew and Matilda, which very likely they are not, anyway. I can see at a glance the size of the gross emoluments, and if I wish to explore the miseries of their deduction, which I do not, tax tables are fairly accessible material. I am not asked to sympathise with the tax hardships of Cabinet Ministers, Archbishops, or non-singers so why company directors? I presume they are dealt with on the same basis as the rest of us.

Brian Gray, 33, Oldmeldrum Road, Bucksburn, Aberdeen.

## Peter and Anne's problems

From Mrs. Helen James

Sir—"The Not Quite So Bad Life" (June 16).

The solution to Peter and Anne's cash problems is simple. Now that the children are older Anne must find herself some form of paid employment.

The income from this job would more than cover the projected monthly deficit and the surplus could be saved to fund some capital replacements in the future. Once Peter's salary increases materialised the family budget should be running a healthy surplus.

Helen James, 57, Seaford Close, Ruislip, Middlesex.

## STANDARD CHARTERED IN SHANGHAI



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# 55% midterm improvement lifts THF to £19.2m

## Tecalemit increases 24% to end on record £4.6m

THE DIRECTORS of Trusthouse Forte, hotels, catering and leisure group, report a 55 per cent rise in profits for the half year to April 30, 1979, and anticipate a successful outcome to the full year's trading.

Taxable surplus for the period was £19.2m, against £12.4m. profits for the whole of 1977-78 year being a record £55.5m.

When reporting last year's figures the directors said that good results had continued into the current year and they were optimistic that the levels of trading then achieved would be maintained.

Results for the period include results of Colony Foods Inc., acquired in June 1978. Comparative figures include the half year results of the Australasian hotel interests dispersed in May 1978.

	1978/79	1977/78
Trading receipts	£m 251.9	221.1
Trading profit	26.1	16.8
Finance charges	6.9	7.4
Profit before tax	19.2	12.4
Tax	1.7	1.3
Net profit	17.5	11.1
Minority interest	0.3	0.2
Making	17.8	11.3

Profits for the half year were struck after depreciation of £5.1m, compared with £6.9m but were before adjusting for currency translation differences.

The net interim dividend is effectively raised to 2p (1.45p) per 25p share—last year's final payment was an adjusted 3.8p.

The company's name was changed from Trusthouse Forte at the annual meeting in April.

The directors intend to put forward proposals to repay the £2,474,484 7½ per cent unsecured debenture stock 1986-91 and the £1,919,459 7½ per cent unsecured loan stock 1985-2000 now outstanding, at prices of £80 and £100 respectively, for every £100 nominal of stock, together in each case with accrued interests.

See Lex

### Bradford Property advances

Pre-tax profits of Bradford Property Trust increased from £4.36m to £4.67m for the year ended April 5 1979.

Earnings per 25p share are given as 29.63p (28.87p) from an attributable balance of £2.27m (£2.19m) after tax £2.4m (£2.17m).

The dividend is stepped up to a final payment of 5.7p, the total amount costing £739,552 (£521,585). Also proposed is a two-for-two scrip issue.

### HIGHLIGHTS

Lex looks at the Trusthouse Forte interim figures, which show a sharp increase in profits and the company is optimistic about the full year. The big economic event yesterday was the announcement of the trade figures for May and Lex assesses a confusing set of statistics which could have important implications for the response to the two new gilt edged issues tomorrow. Elsewhere Lex returns to the subject of rights issues and new evidence that they are often unremunerative for shareholders. Thomas Tilling revealed yesterday that only 25 per cent of its cash call had been taken up, and a further two rights issues were announced, the largest being a £8.7m issue by Highland Distilleries.

## First half growth at Crest Nicholson

CONTINUED PROFIT growth is reported by Crest Nicholson with a taxable surplus of £1.61m for the six months ended April 30, 1979, against £1m last time.

Turnover was ahead from £16.84m to £18.76m.

Mr. D. L. Donne, chairman, states that the aim for the full year is for a substantial further advance in the progress of the group—profit last year was a record £2.51m—and we expect that this will be achieved including a significant increase in earnings per share.

For the half year stated earnings are 6.5p (3.1p) per 10p share or 4.9p (3.1p) fully taxed.

On capital increased by last February's one-for-two rights issue the net interim dividend is maintained at 1.5p, last year's final payment being £2.167p.

Six months

	1978/79	1977/78
Turnover	£m 18.76	16.84
Profit before tax	1.61	1.00
Tax	0.76	0.53
Net profit	0.85	0.47
Minority interests	0.18	0.09
Making	1.03	0.56
Interim dividend	1.50	1.50

Despite the bad winter the property division materially exceeded its profit target, and Mr. Donne says it will achieve record profits for the full period.

The acquisition of the Crofton companies, which design specialist frames, sunglasses, etc., became effective at the end of February, and £200,000 attributable is included in the six months figures. The outlook for these, "is most encouraging."

comment

Crest Nicholson has never been unduly pessimistic about its earnings potential and the interim improvement comes out at almost 60 per cent to 4.9p share on a fully taxed basis.

RECORD PROFITS and a big increase in the dividend are reported by Tecalemit, the fluid transfer and filtration, lubrication systems, garage equipment and combustion engineering group.

Taxable profits expanded 24 per cent from £3.7m to £4.61m in the year to March 31, 1979, on turnover some £10m higher at £43.07m.

	1978-79	1977-78
Turnover	£m 43.07	32.85
Trading profit	4.77	3.76
Finance charges	1.64	1.73
Profit before tax	4.67	3.73
Tax	1.27	1.04
Net profit	2.89	2.57
Minority	0.3	0.2
Extra-ord. debit	0.04	0.04
Attributable	2.44	2.54
Our dividend	0.63	0.57

The net final dividend of 3.472p per 25p share holds the total to 6.25p (£6.50p), reflecting the directors' intention of raising the payment upon removal of restraints. A one-for-one scrip issue is also proposed.

At midway, profits were up to £1.78m to £2.12m, and the directors expected an increased full-year surplus.

Mr. Nigel Bennett, chairman, anticipates that the outcome for the current year will again be satisfactory.

Tax for the period took £1.93m (£1.05m). SSAP 15 has been adopted resulting in a reduction of £832,000 (£952,000). Statutory earnings are 20.2p (17.9p) on a full tax charge, and 25.2p (27.9p) on SSAP 15 basis.

comment

Tecalemit's second half was better than expected. At the halfway mark the chairman warned that industrial and economic uncertainties made the outlook difficult to assess. In the

event second half sales jumped 39 per cent and pre-tax profits were up 26 per cent. While the figures include a first time contribution from the French subsidiary Logastolube, this does not greatly affect profits. It does, however, distort the group margins.

The figures presented show margins down from 11.2 to 10.7 per cent, but if the "Logastolube" contribution is eliminated the return is around 11.8 per cent. Growth came from the garage equipment division, combustion engineering and from Common Market sales. The

lubrication system side was down a little on last year and profits in Australia were lower. The shares jumped 11p to 158p yesterday giving a p/e of 7.8 and a yield of 6.1 per cent. There is potential for growth in the current year through "Fog" in France and from sales in other European countries, but results from the important garage equipment activities could be hit by a drop in demand. Garages had until June, 1979, to get their MOT equipment up to scratch though some work is still filtering through.

comment

Highland has combined its cash call with a rather disappointing forecast indicating a percentage rise of less than half the average growth of the previous three years. The benefits of the "Famous Grouse" brand are clearly taking much longer than expected to come through. This is mainly due to a sharp rise in the cost of promoting it in England and Wales along with

are now favourable but at Potts Forgings production difficulties after re-equipping have delayed a return to surplus.

Overseas, Record Tools Canada continues to do well, despite the adverse currency situation, which is restricting margins, and both the South African and Australian subsidiaries are operating profitably, Mr. Hampton says.

comment

Although Record Ridgway's first half profits show an 86 per cent shortfall, the results reflect a £0.33m turnaround on last year's second half losses. This recovery is mainly due to some improvement in home demand for hand tools, although imports are still providing intense competition. Surprisingly, the company does not appear to have benefited to any great extent from the D-I-Y boom. But the main headache is still in overseas markets, where unfavourable currency movements are affecting margins. The company is guardedly optimistic about the rest of the year, but prospects are uncertain enough for the directors to pass the interim dividend. Around £0.6m could be possible in the second half which puts the shares, at 38p, on a fairly hefty prospective fully-taxed p/e of around 13.

Exchange losses amounted to £50,000 (£42,000) and retained profit emerged at £33,000 (£59,000).

Last year an interim distribution of 3p was made and the intention had been to pay a 4.5p total. In the event no final dividend was paid and now the directors consider it prudent to defer any decision on a dividend for the current year until the full-time results are known.

Bestmote Tools' trading results

### DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-Total sponding div. year	Total last year
Allwood Garages	0.94	Aug. 1	0.54	1.45
Bandson Tea	0.10	July 30	0.10	0.10
Bradford Prop.	5.7	Aug. 3	3.41	9.5
J. Carr (Doncaster) Int.	0.65	Aug. 3	0.33	1.05
Comfort Hotels	0.31	—	0.23*	0.45
Crest Nicholson	1.57	Oct. 5	1.5	3.72
Godfrey Davis	4.3	—	2.54	5.5
James H. Dennis	2.11	July 27	2.11*	3.18*
K.R.F.	1.23	Aug. 15	0.78	3.4
Palfrade Textiles	1.2	Aug. 3	0.56	1.5
J. H. Fenner	3.3	Sept. 3	—	7.5
Globe Inv.	3.1	July 31	2.4	5.6
Hargreaves	2.14	Aug. 2	1.92	3.22
Hawker Siddeley	2.94*	Aug. 1	—	7.5
J. T. Parrish	4.41	—	3.84	4.41
Record Ridgway	nil	—	—	3.84
Trusthouse Forte	3.47	Aug. 4	1.32	6.25
Tecalemit	0.61	Oct. 1	1.43*	5.32*
United Spring	0.61	—	0.55	1.13

Dividends shown pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ For 7 months. § For 12 months. ¶ Additional payment following removal of dividend controls.

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## Highland Distilleries £8.7m rights

A rights issue to raise £8.66m net is announced by Highland Distilleries. At the same time the company forecasts a 10 per cent profit increase to £4.5m for the year ending August 31, 1979, and a net final dividend of 1.55p on the enlarged capital for a total of 2.1p or 3p gross—an increase of almost 25 per cent.

The directors point out that in 1979, the company acquired Matthew Gloag and Son and entered into a joint venture agreement with Robertson Baxter with the objective of developing Gloag's Famous Grouse blended scotch whisky.

According to the company, heavy stock investment is planned to meet future demand for the brands in which the group is interested and this, together with the necessity of financing higher debtors (including duty), as a result of increased sales, requires additional capital.

Further, the distilling capacity of the group is being increased, with some £1.6m being spent at Glenrothes Distillery. This will require further warehouse capacity.

The issue has been underwritten by Barling Brothers and Co. The offer of 10.34m new ordinary shares of 20p each on the basis of one-for-five at 88p each.

Additional allotment letters will be posted on July 6 for acceptance and payment in full by July 27. Dealings are expected to begin on July 9. Brokers to the issue are Cazenove and Co. and A. C. Greig and Co.

comment

Highland has combined its cash call with a rather disappointing forecast indicating a percentage rise of less than half the average growth of the previous three years. The benefits of the "Famous Grouse" brand are clearly taking much longer than expected to come through. This is mainly due to a sharp rise in the cost of promoting it in England and Wales along with

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Overseas, Record Tools Canada continues to do well, despite the adverse currency situation, which is restricting margins, and both the South African and Australian subsidiaries are operating profitably, Mr. Hampton says.

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Although Record Ridgway's first half profits show an 86 per cent shortfall, the results reflect a £0.33m turnaround on last year's second half losses. This recovery is mainly due to some improvement in home demand for hand tools, although imports are still providing intense competition. Surprisingly, the company does not appear to have benefited to any great extent from the D-I-Y boom. But the main headache is still in overseas markets, where unfavourable currency movements are affecting margins. The company is guardedly optimistic about the rest of the year, but prospects are uncertain enough for the directors to pass the interim dividend. Around £0.6m could be possible in the second half which puts the shares, at 38p, on a fairly hefty prospective fully-taxed p/e of around 13.

Exchange losses amounted to £50,000 (£42,000) and retained profit emerged at £33,000 (£59,000).

Last year an interim distribution of 3p was made and the intention had been to pay a 4.5p total. In the event no final dividend was paid and now the directors consider it prudent to defer any decision on a dividend for the current year until the full-time results are known.

Bestmote Tools' trading results

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## Meat and drink for BPC

You could get some nourishment from it, too

British Printing Corporation is now to be BPC formally as well as colloquially—a change which reflects the fact that the 'P' now stands for other things than Printing.

Packaging and Publishing last year accounted for some 40% of turnover and over 50% of profits.

BPC's Packaging and Paper Products Group consists of 11 specialist companies.

Taylowe, of Maidenhead, specialises in servicing the upper end of the cosmetic, toiletry and food sectors of the folding carton market; Fell & Briant of Croydon and Jas Broadley of Accrington are major producers of a wide range of labels for cans and bottles; at Stockport, B. Taylor, another major supplier, specialises in group-printing of labels for retailers' own brands; and E. Hannibal at Leicester supplies the recorded music industry with a complete

range of the printed products it requires.

Other companies produce flexible packaging, envelopes, writing pads, notebooks, gift-wrapping, party decorations and other paper products.

Packaging and paper products contributed 23% of our £11.13m trading profits last year.

So 'P' stands for Printing, Publishing, Packaging, and Paper Products.

For copies of our latest corporate booklet and Report & Accounts, apply to the Secretary.

**BPC**

BPC Limited 44 Great Queen Street, London WC2.  
Telephone: 01-240 3411.

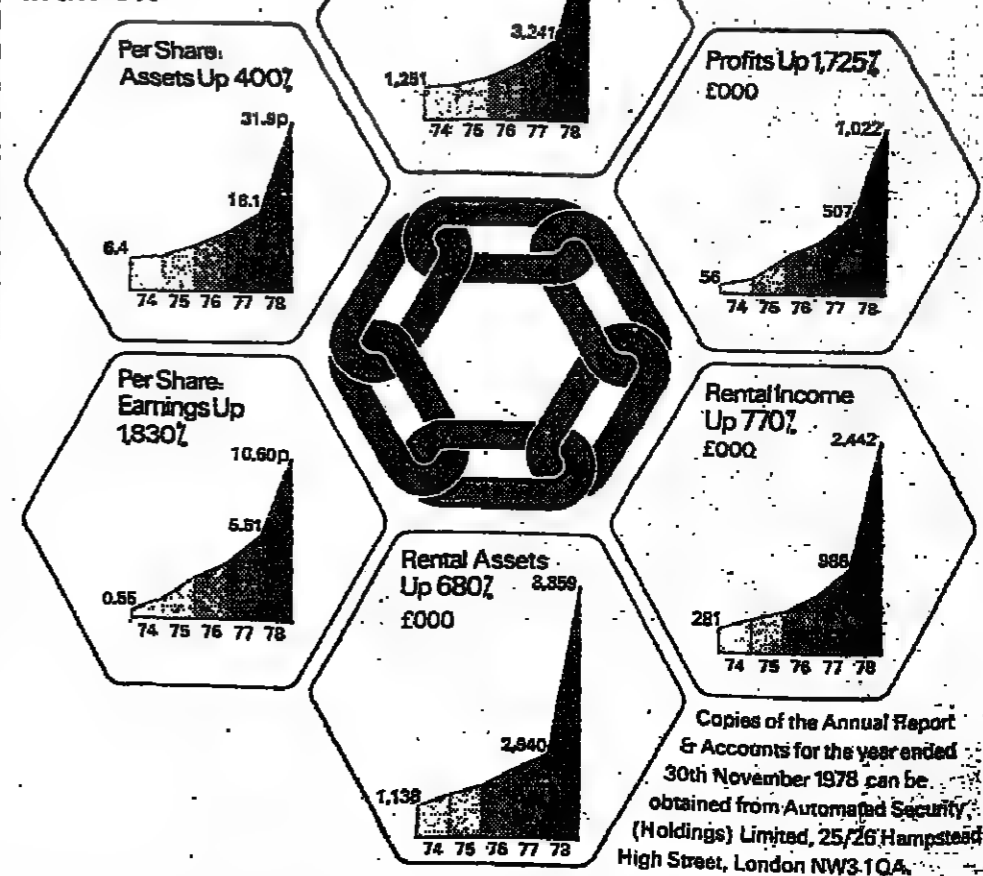


## Automated Security (Holdings) Limited

Principal subsidiaries: Modern Alarms Limited, Brooks Alarms Limited

## Five Years of Progress

A total concept security systems group servicing 50,000 customers from 25 branches in the UK



# UK COMPANY NEWS

## Enter profits fall to 2.8m at interim stage

**TRIAL DISRUPTIONS.** led with generally weak, slightly competitive trading in the UK, high costs and the relative fall of sterling, have in a stressed first half year J. H. Fenner and Holden, the power station engineering group, as profits for the half year ended 31 March 1979, were down 3.84m to £2.81m and while results should be shown second half, it is unlikely to improve for the second half year can now be said the directors say.

Half year	1978	1979
Profit	£3.84m	£2.81m
Revenue	£10.5m	£10.5m
Operating costs	£7.69m	£7.69m
Profit before tax	£2.81m	£2.81m
Tax	£0.1m	£0.1m
Profit after tax	£2.71m	£2.71m
Dividend	£0.1m	£0.1m
Reserves	£2.61m	£2.61m
Share price	150p	150p

half earnings per share of 2.71p against 2.81p in the previous year. The directors are raising the dividend from 3p to 3.5p, a total of 7.5p from profits of £9.06m of which came in the second six months. The group's business is concentrated in the automotive sector, which has suffered badly and this has offset some of the results produced in the rest of the organisation. The group's performance is recorded in the U.S. turnover and operating results have been considerably affected. Aggregate profits

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are likely to be paid or not. The sub-divisions shown below are based on last year's results.

Company	Date
Anglo Television	June 20
Anglo Television	June 20
Anglo Television	June 20
Anglo Television	June 20
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overseas are ahead of last year, the directors say. The group has purchased 60 per cent of the share capital of Dick Bearings, this acquisition will substantially strengthen coverage of the UK and Benelux markets for power transmission products and early indications are that it will make a worthwhile contribution to group profits.

Although the second half of the current year may be free from a repetition of industrial strife, the effect of the winter disruption will continue to be felt for some time, the directors say. There is a lack of buoyancy in the market in some areas of the business and the oil shortage with the consequent

price escalations and insecure supply position in respect of many of the oil-based products which the group uses in large volume is a matter for concern. So too is the future for the UK automotive industry, which particularly affects the oil sealing division, where the group is committed to exceptional costs on factory relocation.

The Board has recently approved a substantial programme of capital expenditure to secure further reductions of unit costs and the maintenance of the group's position in its field.

## Utd. Spring goes ahead to £0.82m at halfway

**TAXABLE** profits of United Spring and Steel Group, spring manufacturer, steel stockholder and processor, rose from £876,000 to £915,000 in the half-year to March 31, 1979, on higher external sales of £13.82m against £13.54m.

Mr. David Westwood, chairman, says the industrial unrest last winter proved less disruptive than was first envisaged. The steel and spring divisions have operated satisfactorily. He sees no reason why the year should not show a satisfactory result—last time pre-tax profits reached £1.27m.

After tax of £267,000 (£265,000), stated earnings per 10p share are up from 2.47p to 3.3p. The net interim dividend is lifted from 0.55p to 0.82p—last year's total was £631,400. With dividends absorbing £82,000 (£89,000), retained profit came through at £836,000 against £822,000.

From turnover of £9.34m against £8.77m, profits before tax of John Carr (Doncaster), timber merchant and joinery maker, increased from £1.38m to £1.41m in the half year ended March 31, 1979.

Tax takes £721,000 (£696,000), giving earnings per share of 3.1p against 3.03p. The interim dividend is stepped up from 0.35p to 0.50p—last year's total was £1,047,000 from pre-tax profits of £2,671m.

The Board states that the two major investments, the new door factory and one for Dorset, have managed to do somewhat better than break even on their first full months of trading. The group is now working vigorously to obtain sufficient volume to fill the increased capacity.

## Godfrey Davis record year

As indicated at midway, Godfrey Davis, the car hire specialist and Ford main dealer, has turned in record results for the year to March 31, 1979 with pre-tax profits up from £2.53m to £4.58m on turnover of £68.73m against £75.91m.

The profit is after exceptional credits of £101,000, against a £188,000 debit, but before tax of £284,000, compared with £463,000. The new accounting policy for deferred tax has been adopted and comparisons are restated. The tax charge represents ACT payable on the year's dividends.

Earnings per share are stated as 35.4p (£25.6p) and the final dividend is 4.5p raising the total from 3.34p to 5.5p.

At 127p, up 7p, shares in Godfrey Davis are just 1p below the annual peak but an historic fully taxed p/e of just 8.5 might suggest that the rating is still just a little too cautious. Certainly, Ford has been able to satisfy its dealers requirements despite its own prolonged strike and CD has enjoyed its best ever winter in the face of the transport disruption and the harsh weather.

The 31 per cent pre-tax profit advance was significantly ahead of most external calculations, despite the fact that rental utilisation at 80 per cent was so high that sales of around 2,000 units from the hire fleet were deferred until the start of the current financial year.

These disposals will clip year end gearing from 64 to 42 per cent and provide a useful flip to the first quarter. But two questions remain. The industry is already warning of the spectre of a flooded used car market although GD sold 5,500 against 4,000 second hand cars last year and claims a 60 per cent offtake by the business sector. Of equal potential importance is the major facility to the Cortina and November delivery is now being quoted for this important sector of the Ford range. This, apparently, is normal practice, last year, Ford's models required only a minor trim.

comment

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comment

## Fairdale at record £603,648

**FOLLOWING** A rise from £166,090 to £202,145 at halfway, taxable profits of Fairdale Textiles finished the January 27, 1979 year at a record £603,648 against a previous £480,802.

After tax of £252,257 (£216,754) earnings per 5p share are shown as up 1.4p to 5.5p. The dividend is increased to 1.5p (£1.16p) net with a final of 1.3p.

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## Hargreaves finishes marginally ahead

**AFTER HIGHER** depreciation and interest charges, taxable profits of Hargreaves Group, finished the March 31, 1979, year marginally ahead at £3.47m against £3.42m.

At the interim stage profits had risen from £2.01m to £2.44m and directors said that the second half had got off to a good start.

Turnover for the year was ahead over £12m from £153.3m to £165.7m. Pre-tax figure was struck after depreciation of £2.55m (£2.2m), interest £582,265 (£588,335), and included associates profits, lower at £762,260 against £587,707.

Earnings are shown as 11.1p (£10.7p) per 20p share and the dividend is stepped up to 3.56p (£3.216p) net with a final payment of 2.142p.

comment

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## Hemerdon share allotment soon

**BY PAUL CHEESBRIGHT**

AGREEMENT has been reached between Dunwoody of Toronto and Mr. W. A. (Billy) Richardson over the allotment of shares in Hemerdon Mining and Smelting, a Bermuda-registered company, whose UK subsidiary is engaged in a joint exploration venture outside Plymouth.

Mr. Richardson was Hemerdon Mining until December 1976, but no shares in the concern were ever allotted in return for the financial support he received from investors, mainly in Ontario and the U.S.

Protracted litigation led to the 5m shares of Hemerdon Mining being placed in a Bermuda bank, under the orders of the Bermuda Supreme Court, and the appointment of Dunwoody as trustee for the investors.

The minutes of Dunwoody's settlement with Mr. Richardson are now being drafted. Dunwoody representatives hope to have informal talks within the next month with a judge at the Bermuda Supreme Court about the pattern and details of a share distribution.

This could lead to a Court decision in September or October about a share allotment, although distribution would probably have to wait for Hemerdon Mining to receive a registration from the Securities Exchange Commission in the U.S. This is a prerequisite of share distribution in the U.S.

The settlement of the complicated legal wrangles which have plagued Hemerdon's internal affairs in recent years should put the company on a sounder footing as its joint venture with Amex of the U.S. at the Hemerdon Ball tungsten-tin-china clay deposit outside Plymouth advances into a feasibility study.

Under the draft Dunwoody-Richardson agreement, Mr. Richardson would receive 800,000 shares of the 5m available for issue.

Investors who put up money for Mr. Richardson—the cash claimants or grubstakers—will receive between 2.5m and 2.8m shares, distributed on a one dollar for one share basis. This would leave between 1.3m and 1.4m for the administrative claimants.

The administrative claimants are those who were offered shares by Mr. Richardson in exchange for services which were or might be rendered. Claims under this heading come to about 3.5m shares.

Dunwoody is therefore faced with the task of weeding out these claims and is likely to honour only those where it is obvious that the claimant has performed some service for Hemerdon Mining.

## Gt. Bear Lake uranium find

**A URANIUM** find has been made at Louisa Lake, near Great Bear Lake, in Canada's North West Territories, by Kelvin Energy, an operator of a six-hole drilling programme, report our Montreal correspondent.

The group financing the programme consists of Kelvin, the West-German-owned E and B Exploration and Pan Ocean Oil, which is now owned by Marathon Oil of the U.S.

The six holes drilled last winter confirmed the presence of uranium in an area 300 ft by 200 ft at a depth of about 100 ft. Assays varied from 0.6 to 4 lbs uranium oxide per ton over zones varying in thickness from 2.5 ft to 30 ft.

Kelvin said that further drilling is necessary to determine the significance of the find. It said it had identified other "significant targets for uranium and other minerals" on the properties held.

## NORTH BH STAKE IN BH SOUTH

**North Broken Hill,** the Australian base metals and investment group, has lifted its stake in BH South to 19.3 per cent from 18.4 per cent by share purchases in the first half of the month.

In June, when North BH's holding was 16 per cent, it was denied that a takeover bid was in the offing. Since then North BH has acquired the holding—about 2 per cent of BH South—of its own staff provident fund, Consolidated Gold Fields owns 10 per cent of North BH.

## Resilience of family businesses

**At the Annual General Meeting of Estate Investment Trust Limited on 19 June, Chairman Lord Seeborn said:**

"I am constantly impressed by the resilience and high quality of the family companies in which we are invited to buy shares. In the first quarter of the current financial year our business has continued at a high level and we have issued 59,784 further shares in exchange for shares in an unlisted company, enabling the vendors to claim roll-over relief for capital gains tax."

Resolutions were passed increasing the net dividend for the year 2.1p per 25p share (compared with 2.0p last year before a 1-for-10 capitalisation issue) and approving a further 1-for-10 capitalisation issue in the current year.

Net Revenue before Taxation rose from £2,257,000 to £2,553,000 the year to 31 March 1979. Lord Seeborn's published statement included the following points:

- \* New investments in the past year totalled the record sum of £3,294,000.
- \* Investments in four companies were made by share exchange, which involved the issue of new EDITH shares valued at £1,642,000.
- \* The bulk of our investment continues to be in the form of special issues of convertible preferred ordinary shares in private companies, in which there are no market dealings as they are not freely transferable.
- \* So long as we choose our investments carefully and do not diverge from our principles as non-interfering, long-term minority shareholders in unlisted companies, there will continue to be a place for EDITH on the British financial scene.



## Today's company's meetings

Brixton Estate, 22-24, Ely Place, 12.15. City of Oxford Investment Trust, 41 Bishopsgate, EC, 11.30. Hawker Siddeley, Dorchester Hotel, W, 12. Holyrood Rubber, 44 Great Portland Street, EC, 3. Idric Hydraulic Tin, 65 London Wall, EC, 2.30. Kuala Selangor Rubber, 1.4 Great Tower Street, EC, 12.30. Edward Le Bas, 49 Gledbe Place, Chelsea, SW, 12.

London and Lennox Investment Trust, 2 St. Mary Ave, EC, 11.30. Milford Docks, Hyde Park Hotel, 66 Knightsbridge, SW, 12. Pentland Industries, Kingmaker House, Station Road, New Barnet, Herts, 12. Piccadilly Theatre, Piccadilly Theatre, Denmand Street, W, 11. Provincial Insurance, Brewery Art Centre, Highgate, Kendal, Cumbria, 1.30.

Richardsons Westgarth, St. Ermin's Hotel, Caxton Street, SW, 12. Seccombe Marshall, 7 Birch Lane, EC, 3.30. Shiloh Spinners, Holden Fold Rortton, 11.30. Securities Trust of Scotland, 29 Charlotte Square, Edinburgh, 12. F. W. Woolworth, Connaught Rooms, Great Queen Street, WC, 11.45.

GREAT NORTHERN INVESTMENT

## Deacon Group

The Deacon Group of Companies points out that it is in no way connected with Deacon, Davies and Fox mentioned in yesterday's list of companies wound up.

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## Clark, Son and Morland downturn

Clark, Son and Morland, West Country sheepskin specialists, reports a pre-tax profit of £188,000, compared with £118,000 for the year ended February, 1979.

Turnover was £17.14m (£17.56m) with exports accounting for £3.25m (£3.5m). Earnings are shown as 11.1p (£10.7p) per 20p share and the dividend is stepped up to 3.56p (£3.216p) net with a final payment of 2.142p.

The company is controlled by Attwood Securities.

## Revenue rise at Globe Investment

Revenue of Globe Investment Trust came through higher at £10.43m for the year ended March 31, 1979 against £9.33m, after tax of £6.18m compared with £5.09m. Gross revenue was up from £18.44m to £19.97m.

Earnings per 25p share are shown as 6.16p (£5.75p) basic, and 5.975p (£5.49p) fully diluted. A final payment of 3.1p net lifts the total dividend for the year to 8.6p (£8p).

Net assets value per share is given as 133p (£135p), and 179p (£181p) fully diluted.

## £122,551 net profits for J. H. Dennis

Following his change of year-end, James H. Dennis and Company, engineering group, reports net profits of £122,551 for the seven months period ended March 31, 1979, on turnover of £1,815,098.

In the previous 12 months, a net surplus of £289,676 on £6,368,304 turnover was achieved.

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In the previous 12 months, a net surplus of £289,676 on £6,368,304 turnover was achieved.

Following his change of year-end, James H. Dennis and Company, engineering group, reports net profits of £122,551 for the seven months period ended March 31, 1979, on turnover of £1,815,098.

## Clark, Son and Morland downturn

Clark, Son and Morland, West Country sheepskin specialists, reports a pre-tax profit of £188,000, compared with £118,000 for the year ended February, 1979.

Turnover was £17.14m (£17.56m) with exports accounting for £3.25m (£3.5m). Earnings are shown as 11.1p (£10.7p) per 20p share and the dividend is stepped up to 3.56p (£3.216p) net with a final payment of 2.142p

# TRUSTHOUSE FORTE LIMITED

Interim Statement  
for the half year ended 30th April 1979

	Half Year to 30th April 1979	% Increase	Half Year to 30th April 1978	Year to 31st October 1978
	£m		£m	£m
Trading Receipts	321.9	19%	270.1	613.8
Trading Profit	26.1	32%	19.8	70.1
Financial charges	(6.9)		(7.4)	(14.6)
Profit before Taxation	19.2	55%	12.4	55.5
Taxation (estimated)	(7.7)		(5.3)	(22.3)
Profit after Taxation	11.5		7.1	33.2
Minority interest	(0.3)		(0.2)	(1.5)
Profit (after taxation and minority interest)	11.2	62%	6.9	31.7

Accounting policies are as stated in the last annual accounts.

The above profits are after charging depreciation of £8.1m (1978 £6.9m) and are before adjusting for currency translation differences.

The above figures are unaudited and include the half-year's results for Colony Foods Inc., acquired in June, 1978. The 1978 results include the half year results of the Australasian hotel interests disposed of in May, 1978.

The greater part of the year's profit is produced in the second half of the financial year. The good start reported above is most encouraging and we again anticipate a successful outcome to the full year's trading.

The interim dividend has been increased to 2p per share (1978 adjusted for 1 for 1 scrip issue—1.425p) in respect of the year to 31st October, 1979 and this will be paid on 1st October, 1979 to shareholders on the register on 3rd September, 1979.

For reservations at over 800 hotels worldwide contact your travel agent, or telephone the hotel direct, or use our worldwide reservations system by telephoning any of these numbers:

Belfast (0232) 48711	Glasgow (041) 221 6164
Birmingham (021) 236 3651	Leeds (0532) 31287
Cardiff (0222) 371889	Liverpool (051) 236 0841
Durham (0385) 82561	London (01) 567 3444
Edinburgh (031) 228 4348	Manchester (061) 969 6111

There are also reservations offices in Amsterdam, Brussels, Chicago, Dublin, Frankfurt, Los Angeles, Madrid, Milan, New York, Paris, Stockholm, Tokyo, Toronto and Washington.



Hotels

## JERSEY GENERAL INVESTMENT TRUST LIMITED

Directors  
MAURICE LETTO, F.C.I.S. (Chairman)  
Advocate L. C. INGRAM (Vice Chairman)  
SIR GILES GUTHRIE, Bart., O.B.E., D.S.C.  
The Rt. Hon. THE EARL OF JERSEY  
P. MALET DE CARTERET  
R. G. MALTWOOD  
DR. I. H. THURSTON, Ph.D.

### Financial Highlights for the year ended April 30th, 1979

	1979	1978
Earnings per Ordinary share	15.97p	14.42p
Dividend per Ordinary share	14.50p	13.00p
Total Net Assets	£20,023,956	£18,583,301
Net Asset Value per Ordinary share	337p	316.50p

### Extracts from the Chairman's Statement

The year under review has been one of wide variance in the international economic outlook, coupled with considerable volatility in foreign exchange rates. Nevertheless, it is gratifying that we can once again present accounts which show a continuance of the steady growth of income and capital which is the objective of the Trust.

For the first time in the Company's history the total net assets at the year end exceeded twenty million pounds.

The world economic prospect remains in a fluid and uncertain state. Inflation and unemployment remain apparently intractable problems in a number of countries. Crude oil prices continue to escalate and the business cycle appears to be moving towards a recessionary phase. The revision of many forecasts and indicators is now more frequently downward than optimistic. Interest rates have risen to new high levels, particularly in North America and, whilst they may not yet have reached a peak, there will need to be some reduction before industry can be revitalised by the introduction of more modern techniques and machinery leading to a growth in productivity.

It is particularly in difficult times such as these that the benefits of a well-managed international portfolio of securities, as can be seen in our distribution of investments, can provide the private investor with the security and steady growth pattern which he seeks.

Copies of the Report and Accounts are available from the Secretary of the Company, 21 Broad Street, Jersey, C.I.

## The Nineteen Twenty-Eight Investment Trust Limited

Directors:  
The Rt. Hon. Viscount Bearsted, T.D., D.L. (Chairman)  
Bryan R. Basset (Deputy Chairman) Douglas S. Allison Christopher A. Keeley, F.C.A. Sir John King  
John S. K. Oram Alastair F. Roger Anthony P. Simonian Brian A. C. Whitmore, F.C.A.

	Year ended 31.3.79	Five years ended 31.3.79
Performance statistics	%	%
Net asset value	+18	+73
Middle market price (Stock Exchange Daily Official List)	+23	+99
Rate of dividends (net)	+14	+99
Retail Price Index	+10	+105

### Distribution of investments at 31st March 1979

Equities and convertibles	
U.K.	653%
Overseas	29%
Fixed income	51%

Copies of the Report and Accounts can be obtained from  
Philip Hill (Management) Limited, 8 Waterloo Place, London SW1Y 4AY.



## BIDS AND DEALS

### Opposition to Hawthorn Leslie acquisition plans

Davis Investments, a Jersey based investment company, has written to shareholders of R and W. Hawthorn Leslie urging them to reject the company's acquisition plans.

Earlier this month Hawthorn Leslie revealed that it had agreed to buy two engineering companies, Jeddand Engineers and Flash Fasteners, for a maximum of \$254,076. At the same time the group announced that compensation for its nationalised marine engineering interests totalling £1.48m had been agreed with the Government.

Now Davis Investments, which is run by Mr. Tom Scrase, a stockbroker, and which holds some 3 per cent of Hawthorn Leslie has urged shareholders to reject the proposals at an EGM this Friday.

Mr. Scrase accepts the Board's argument against voluntary liquidation but suggests that the next best course would be to find a bidder interested in Hawthorn Leslie as a "cash shell". Mr. Scrase believes the company's net assets are worth about £1 a share though in view of pending litigation and its loss

making subsidiary he reckons a bidder would only be prepared to pay about 95p.

Major shareholders of Hawthorn Leslie include M and G and Prudential Assurance. It is understood that M and G intend to vote with the Board but Prudential, which holds about 6 per cent, has said it will wait until it has heard the arguments of both sides.

**WALTER LAWRENCE**  
Walter Lawrence, construction and engineering group, has formed Walter Lawrence Homes, to expand its activities in the private housing field.

**MACANIE**  
The Cardiff premises of a subsidiary of Macanie (London), the clothing manufacturer, have been acquired—through compulsory purchase—by the local authority.

The subsidiary, Wilkinson Riddell and Larkins, has moved into nearby rented accommodation. The vacated premises have been sold for £235,000 cash, against a book value of £42,000.

The capital raised will be used to provide additional working capital to support the general wholesaling activities of the Wilkinson Riddell Group.

**SOILBOURNE**  
Soilbourne's offer to acquire Collett, Dickenson Pearce International has been accepted in respect of a total of 3,140,130 new ordinary shares (9.49p) and 3,140,130 deferred shares (94 per cent).

The offers will remain open for acceptance until further notice.

**SIME DARBY/UMI**  
United Malayan Insurance Company Berhad has become a subsidiary of Sime Darby Malaysia Berhad following the issue of 4m new shares by UMI under its scheme of reconstruction.

Of the total, 3.8m shares have been issued to the wholly-owned subsidiary of Sime Darby Holdings. The remaining 199,313 shares have been issued to other UMI shareholders. Sime had earlier acquired 1m shares in UMI.

## UK COMPANY NEWS

### Advance by Private Patients

A SUCCESSFUL year in 1978 for Private Patients Plan is reported by Mr. J. F. Phillips in his chairman's statement. Despite the anxiety and concern over the problems of the National Health Service, the company, the second largest medical insurance agency in the UK, recorded a growing number of subscribers. A record subscription income, benefit payments and operating surplus.

The total number of members at the end of 1978 stood at just over 220,000, against 206,000 at the beginning of the year. Mr. Phillips reports that the overall private health care market had grown in 1978 and PPP's growth was even better with its market share rising from 18.4 per cent to 19.7 per cent.

Subscription income last year rose nearly 30 per cent from £19.9m to £23.8m and investment income by 26 per cent from £1.1m to £1.4m. Benefit payments were nearly 18 per cent higher at £15m—83 per cent of subscriptions. After a higher tax charge of £684,000, the excess of income over expenditure was £7.1m, compared with £2.9m in 1977. Mr. Phillips points out that the company had always regarded the private sector of medicine to complement the services of the NHS and he was pleased to see some statement in the political hostility towards private medicine.

During 1978 the Health Services Board had recommended the closure of a further 280 NHS pay beds. But this had been partially offset by the provision of 228 new private surgical beds. The company's policy now was to extend substantially its scale of financial assistance to the building or extension of private hospitals by making loans at nominal rates of interest.

### Downturn at Baraora Tea

Turnover down from £1.88m to £1.53m and pre-tax profits cut from £837,573 to £427,523 are reported by Baraora Tea Holdings for 1978.

Stated earnings per 25p share are more than halved from 48.5p to 22.1p. An interim dividend of 10p is declared but no further payment for the year is intended—the previous total of 20p included a 10p final.

The directors say clearance

has been obtained from the Inland Revenue for the repayment to shareholders of funds held in the UK which are substantially in excess of the company's operating requirements for the foreseeable future.

Resolutions will therefore be made by the AGM for the repayment of the whole of the preference shares at par and the repayment of 20p per ordinary share.

**J. T. Parrish makes strong recovery**  
After more than doubled mid-way profits of £76,000, against £37,300, J. T. Parrish reports pre-tax surplus for the year ended January 27, 1979, sharply increased from a depressed £51,770 to a record £199,450. Turnover improved by some £0.5m to £3.9m.

After tax of £100,733 (£24,342) net profits for the year were well ahead from £27,428 to £98,717. From earnings per 25p share of 13.71p (£8.1p) the dividend is raised from 3.85p to 4.40p net.

### Tarmac first half 'will not be good'

Tarmac's interim results will not be good and may not even reach last year's figure of £6.3m, Mr. Edwin Wright, chairman, told shareholders at yesterday's annual meeting.

The comment is gloomier than a similar statement in the annual report and, after the meeting, Mr. Wright said that when the report was prepared in April the company had just been through one of the worst winters for 18 years.

"Bad winters in the past in the UK have not usually presaged a bad overall performance for the group," he added.

What made his annual address slightly more pessimistic was the very wet

he said. The group still hopes for a full-year result at least in line with last year's £26.5m. He did not elaborate on the departure of his predecessor, Mr. Robin Martin, from the Board on April 24—just three weeks after Mr. Martin had decided to relinquish his position as chief executive.

Mr. Martin's departure was one of a series of changes at Board level during the year. Mr. Gerard Paris, a former finance director, left and was replaced by Mr. Graeme Odgers from General Electric. Mr. Tony Sumner joined the Board as planning director during the year.

No shareholders questioned the chairman yesterday on the moves or on the group's performance for the year. The former's business took less than 30 minutes to complete.

### High level of business at EDITH so far

Business at Estate Duties Investment Trust (EDITH) has continued at a high level in the first quarter of the current year. Lord Seebom, chairman, told shareholders at the annual meeting.

The company had so far invested in another 12 companies, while a total of 59,784 EDITH shares had been exchanged for shares in unlisted companies. Commenting on the Government's current review of capital gains tax and capital transfer tax, Lord Seebom said there would no doubt be a period of uncertainty "which would hold up to some extent the decisions of those who need to sell shares in private companies." EDITH gets much of its business from tax payers threatened by large capital tax liabilities.

However, Lord Seebom did not feel any reduction in the level of capital tax would have a very dramatic effect on EDITH's business. Investments made by share exchange provided a useful additional source. But at the end of March, investments made this way only accounted for about 10 per cent of the company's listed portfolio by cost in May and it has delayed out recovery from the bleak winter.

### Public Works Loan Board rates

Effective from June 9						
		Quota loans repaid			Non-quota loans A* repaid	
Years		by EIP†	At maturity	by EIP†	At maturity	
Up to 5	.....100	11½	11½	11½	12½	12½
Over 5, up to 10		11½	11½	12½	12½	12½
Over 10, up to 15		12½	12½	12½	12½	12½
Over 15, up to 20		12½	12½	12½	12½	13
Over 20		12½	12½	12½	12½	13

\* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

### Notice of Meeting

Notice is hereby given that an Extraordinary General Meeting of Members of The National Bank of Australasia Limited will be held at the registered office of the Company, 31 Queen Street, Melbourne, on Thursday, July 12, 1979, at 2.30p.m.

**Special Business:**  
The Meeting will be asked to consider and, if thought fit, to pass a special resolution altering the Articles of Association.

Following changes made from time to time to the listing requirements of the Australian Associated Stock Exchanges, it was considered appropriate to review the Bank's Articles of Association and to seek amendment to those Articles which do not conform with existing Stock Exchange regulations.

Directors will also seek adoption at the Meeting of two additional Articles designed to formalise arrangements for retirement from the Board (Article 75) and to simplify the maintenance of the Share Register (Article 33A). The Members of the Company have been notified of the detailed changes proposed in the Notice of Meeting.

By Order of the Board  
L. L. Rex, Secretary  
May 10, 1979.

**Proxies**  
A Member or other person entitled to vote may appoint not more than two proxies to attend and vote instead of him. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Member's voting rights. A proxy need not be a Member of the Company.

**The National Bank of Australasia Limited**  
(Incorporated in the Commonwealth of Australia)

## THE BROCKS GROUP

Points from the circulated statement of the Chairman, Mr. C. M. Bank

Pre-tax profits have increased by £320,402 to £1,013,650 and earnings per share are up from 4.17p to 11.54p. The final dividend of 2.261p net per share is the maximum permitted. A scrip issue of 1 for 5 has been approved.

Both profits and turnover of the Marine Division showed an increase over the previous year and the order book for this year is satisfactorily ahead. I am confident that this division will make further progress this year.

The new and exciting acquisition of the Micro-Circuit Division will have a significant impact on the future of the Group.

The Authorised Share Capital of the Company is to be increased from £1,300,000 to £2,000,000 as we intend to expand the business of Brocks by further acquisitions.

The Group is in a good position to take advantage of growth in the electronics industry.

THE BROCKS GROUP OF COMPANIES LTD - POOLE - DORSET - TEL: 01204 2424



Milbury Homes

### Highlights for the year to 31st March, 1979

Turnover	£8,705,919	an increase of 53.5%
Profit before Tax	£1,212,115	an increase of 101.4%
Total Dividend	£224,658	an increase of 101.7%
Earnings per share	21.27p	an increase equivalent to 71.53%

Copies of the Annual accounts may be obtained from:  
The Secretary, Milbury Limited  
178 Old Wellington Road, Eccles, Manchester M30 9Q



DERITEND

### GROUP ACTIVITIES

Manufacturers of hot drop forgings and pressings in ferrous and non-ferrous metals. Investment castings and special purpose machines. Electrical installation and repairs and electrical surface heating.

### RESULTS

Year ending 28th February	1979	1978
	£000	£000
Sales	30,911	27,235
Profit before Taxation	1,263	1,748
Profit after Taxation	1,340	1,281
Ord. Dividends per share (Actual)	11.02p	8.97p
Earnings per share	38.1p	38.7p

### MR. D. J. MEAD, CHAIRMAN, REPORTS

Sales of £30,911,000 for the year were up on the previous year, but pre-tax profits were reduced.

Sales from our Forging Division fell during the period due to a lack of demand, resulting in a very poor year. However, the outlook has improved.

Castings Division now forms a major part of the Group's activities and the year's results were very encouraging. It was generally a disappointing year for the Manufacturing Division, but the Electrical Division traded successfully with satisfactory increases in turnover and profits.

Prospects for next year are reasonable and we are hopeful of profits returning to their former level, somewhat in line with 1977/78 figures.

Copies of the full Statement and Accounts can be obtained from the Secretary.

THE DERITEND STAMPING COMPANY LTD.  
St. Richard's House, Victoria Square, Droitwich, Worcestershire WR9 8DS.

## BODYCOTE INTERNATIONAL LIMITED

### 1978 REPORT AND ACCOUNTS HIGHLIGHTS

	1978	1977
Turnover	£29,864,980	£25,702,787
Profit before tax	£2,063,453	£2,039,561
Profit after tax	£1,834,437	£1,431,910
Earnings per share	20.70p	18.44p
Dividends per share	3.0323p	2.7155p

Mr. J. C. Dwek, Chairman and Managing Director, reports

1. After a fairly difficult start 1978 must be regarded as one of definite achievement with the ground laid for future growth and more positive development.

2. The acquisition of Blandburgh Ltd., a heat treatment engineering company, in April, 1979, initiated a policy of diversification and the construction of a more broadly based industrial group.

3. The industrial and general textiles division, has performed well but the industrial protective clothing and safety products division remains a keystone of the group's corporate strategy. The product range, particularly in the area of specialised technical hazard clothing, has been extensively enlarged.

4. The new £750,000 continuous process plant for William Denby (textile processing division) will be on-stream by the end of June.

5. Despite the national industrial disruption and abnormal weather early in the year we are quite confident that 1979 will be a good year for us.

Copies of the Report and Accounts may be obtained from the Secretary, Bodycote International Limited, 104, Stamford Street, Manchester M18 9LR.

## CURRENCIES, MONEY and GOLD

## Pound strong

ING rose sharply in late 1978 on news that Britain's deficit narrowed to £185m from £227m in April. A rise of up to 10p had been expected. The pound opened at 12.1010, and fell to 12.0930, before the weak dollar, and later on the trade figures, sterling to its highest of the day at the close, 12.1200. The strongest level since 7. 1975, and a rise of 10p on the day. It continued to rise after hours in New York, touching 12.1280-12.1290 after the London close. The pound's trade-weighted average, as calculated by the Bank of England, eased to 65.2 from

65.1. The dollar's index fell to 85.0 from 85.1. **FRANKFURT**—The dollar was fixed at DM 1.8740 against the D mark, the lowest level since March 30, compared with DM 1.8881 on Monday. The Bundesbank did not intervene as the U.S. currency fell from a high point of DM 1.8888 in early trading. The recent decline of the dollar reflects an impression that an emerging recession in the U.S. may not be tempering inflation as much as expected, while the D-mark remains firm on suspicions that a realignment of the European Monetary System is likely in the near future.

**MILAN**—The lira improved against the dollar but lost ground against the D-mark and other EMS currencies. The U.S. unit was fixed at L.944.10, compared with L.946.70 previously, while the D-mark rose to L.950.12 from L.948.85, and the Danish kron improved to L.156.40 from L.155.02. Sterling fell to L.177.80 from L.178.35. Trading was normal with the Bank of Italy selling \$8.5m of the \$10.4m traded officially.

**TOKYO**—Trading was quiet, ahead of next week's Tokyo economic summit and the meeting of the Organisation of Petroleum Exporting Countries. The dollar rose slightly to ¥218.82 against the yen, from ¥218.32 on Monday. It opened at ¥219.50, and touched a high of ¥219.80.



After standing at 68.1 at 10.00 in early trading, the dollar lost ground against major currencies on fears of U.S. inflation, and lower time rates. A turnaround in recent days pushed it to a DM 1.8675 against the D mark, and to a £1.2820 against the pound. On the Swiss franc, the Bank of England figures, the

EMS EUROPEAN CURRENCY UNIT RATES					
Unit	ECU	Change	Unit	Change	Unit
France	36.482	40.408	+2.32	+1.86	+1.83
Germany	7.0852	7.2504	+2.32	+1.86	+1.83
Italy	1.366	1.436	+2.32	+1.86	+1.83
Netherlands	2.7027	2.7627	+2.32	+1.86	+1.83
Belgium	0.0628	0.0638	+2.32	+1.86	+1.83
Spain	168.18	172.17	+2.32	+1.86	+1.83

## CURRENCY CROSS RATES

Unit	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
sterling	1	2.194	3.888	444.8	6.558	3.772	4.448	1790.	2.500	65.52
mark	0.471	1.	1.888	218.8	3.888	1.668	3.047	848.9	1.177	29.98
yen	0.225	0.225	0.225	1.	117.0	3.888	0.900	1.088	0.680	16.04
franc	0.154	0.154	0.154	0.154	1.	18.87	0.693	0.858	0.384	10.00
guilder	0.225	0.225	0.225	0.225	0.225	1.	4.713	1.940	0.709	17.81
lira	0.225	0.225	0.225	0.225	0.225	0.225	1.	1.	0.575	14.63
dollar	0.456	1.	0.456	0.456	0.456	0.456	0.456	0.456	1.	0.693
franc	0.154	0.154	0.154	0.154	1.	0.154	0.154	0.154	0.154	1.

## CURRENCY INTEREST RATES

Following nominal rates were quoted for London dollar certificates of deposit: one month 10.25-10.45 per cent; three months 10.35-10.45 per cent; six months 10.45-10.55 per cent; one year 10.55-10.65 per cent.

Unit	1m	3m	6m	1y	Unit	1m	3m	6m	1y
sterling	14.14-15	10.14-10.16	10.14-10.16	10.14-10.16	U.S. dollar	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
U.S. dollar	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Deutsche Mark	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Deutsche Mark	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Japanese Yen	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Japanese Yen	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	French Franc	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
French Franc	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Swiss Franc	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Swiss Franc	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Dutch Guilder	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Dutch Guilder	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Italian Lira	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Italian Lira	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Canada Dollar	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Canada Dollar	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Belgian Franc	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Belgian Franc	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16					

## INTERNATIONAL MONEY MARKET

## U.S. rates steady

and for bills continued in yesterday's trading. Treasury notes at 8.93 per cent changed from Monday's 8.92 per cent. Fed funds added at 10.14-10.16 per cent, unchanged from Monday's 10.14-10.16 per cent. The 17-month rate also higher at 7.10-7.20 per cent compared with 7.00-7.10 per cent previously.

**PARIS**—Call money remained at 7 1/2 per cent yesterday with one and three-month also unchanged at 8 1/2 per cent and 8 3/4 per cent respectively. The six-month rate was steady at 8 1/2 per cent and 12-month money was quoted at 9 1/4 per cent.

**BRUSSELS**—Deposit rates for the Belgian franc (commercial) were quoted at 9 1/4-9 1/2 per cent.

## MONEY MARKET

## Full credit supply

of England Minimum Rate 14 per cent since June 12, 1979. To day credit was in good in the London money yesterday and the ties sold a small amount of Treasury bills at direct to county houses to mop up plus.

## MONEY RATES

Unit	1m	3m	6m	1y	Unit	1m	3m	6m	1y
sterling	14.14-15	10.14-10.16	10.14-10.16	10.14-10.16	U.S. dollar	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
U.S. dollar	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Deutsche Mark	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Deutsche Mark	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Japanese Yen	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Japanese Yen	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	French Franc	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
French Franc	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Swiss Franc	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Swiss Franc	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Dutch Guilder	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Dutch Guilder	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Italian Lira	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Italian Lira	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Canada Dollar	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Canada Dollar	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16	Belgian Franc	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16
Belgian Franc	10.14-10.16	10.14-10.16	10.14-10.16	10.14-10.16					

## THE DOLLAR SPOT AND FORWARD

Unit	Day's spread	Close	One month	Three months	Unit	Day's spread	Close	One month	Three months
U.S.	2.0970-2.1240	2.1230-2.1240	0.75-0.85 pm	3.95-1.72-1.82 pm	3.14	2.0970-2.1240	2.1230-2.1240	0.75-0.85 pm	3.95-1.72-1.82 pm
Canada	2.4320-2.5005	2.4925-2.5005	0.75-0.85 pm	3.47-1.82-1.72 pm	2.83	2.4320-2.5005	2.4925-2.5005	0.75-0.85 pm	3.47-1.82-1.72 pm
Netherlands	4.23-4.26	4.24-4.26	24-15c pm	6.21-6.25 pm	0.29	4.23-4.26	4.24-4.26	24-15c pm	6.21-6.25 pm
Belgium	23.32-23.70	23.57-23.67	27-27c pm	6.04-72-63 pm	0.41	23.32-23.70	23.57-23.67	27-27c pm	6.04-72-63 pm
Denmark	11.35-11.45	11.45-11.45	25-10c pm	1.18-23-10c pm	0.81	11.35-11.45	11.45-11.45	25-10c pm	1.18-23-10c pm
Ireland	1.0470-1.0530	1.0512-1.0522	62-12c dis	-0.80-55-55 dis	-2.28	1.0470-1.0530	1.0512-1.0522	62-12c dis	-0.80-55-55 dis
W. Ger	1.84-1.87	1.86-1.87	25-25c pm	9.40-85-100 pm	0.32	1.84-1.87	1.86-1.87	25-25c pm	9.40-85-100 pm
Portugal	103.50-105.10	104.00-105.10	30-80c dis	6.86-120-220c pm	0.88	103.50-105.10	104.00-105.10	30-80c dis	6.86-120-220c pm
Spain	138.50-140.20	139.50-140.20	60c pm-10c dis	1.25-55-75 pm	1.14	138.50-140.20	139.50-140.20	60c pm-10c dis	1.25-55-75 pm
Italy	775-775	775-775	25-25c pm	2.85-85-85 pm	1.73	775-775	775-775	25-25c pm	2.85-85-85 pm
Norway	10.85-10.95	10.94-10.95	25-25c pm	5.75-15-15 pm	5.11	10.85-10.95	10.94-10.95	25-25c pm	5.75-15-15 pm
France	5.15-5.23	5.22-5.23	5-5c pm	5.65-10-8 pm	4.12	5.15-5.23	5.22-5.23	5-5c pm	5.65-10-8 pm
Sweden	9.11-9.20	9.18-9.20	4-20c pm	4.34-85-85 pm	4.70	9.11-9.20	9.18-9.20	4-20c pm	4.34-85-85 pm
Japan	480-485	483-484	4.80-3.75 pm	10.02-8.75-8.45 pm	3.27	480-485	483-484	4.80-3.75 pm	10.02-8.75-8.45 pm
Austria	28.00-28.50	28.25-28.30	23-15c pm	7.38-54-44 pm	6.70	28.00-28.50	28.25-28.30	23-15c pm	7.38-54-44 pm
Switzerland	1.35-1.35	1.35-1.35	24-35c pm	14.28-11-10 pm	12.74	1.35-1.35	1.35-1.35	24-35c pm	14.28-11-10 pm

Belgian rate is for convertible franc. Financial franc 65.00-65.00 pm. Six-month forward dollar 2.57-2.57c pm; 12-month 5.15-5.05c pm.

## THE DOLLAR SPOT AND FORWARD

Unit	Day's spread	Close	One month	Three months	Unit	Day's spread	Close	One month	Three months
U.S.	2.0970-2.1240	2.1230-2.1240	0.75-0.85 pm	3.95-1.72-1.82 pm	3.14	2.0970-2.1240	2.1230-2.1240	0.75-0.85 pm	3.95-1.72-1.82 pm
Canada	2.4320-2.5005	2.4925-2.5005	0.75-0.85 pm	3.47-1.82-1.72 pm	2.83	2.4320-2.5005	2.4925-2.5005	0.75-0.85 pm	3.47-1.82-1.72 pm
Netherlands	4.23-4.26	4.24-4.26	24-15c pm	6.21-6.25 pm	0.29	4.23-4.26	4.24-4.26	24-15c pm	6.21-6.25 pm
Belgium	23.32-23.70	23.57-23.67	27-27c pm	6.04-72-63 pm	0.41	23.32-23.70	23.57-23.67	27-27c pm	6.04-72-63 pm
Denmark	11.35-11.45	11.45-11.45	25-10c pm	1.18-23-10c pm	0.81	11.35-11.45	11.45-11.45	25-10c pm	1.18-23-10c pm
Ireland	1.0470-1.0530	1.0512-1.0522	62-12c dis	-0.80-55-55 dis	-2.28	1.0470-1.0530	1.0512-1.0522	62-12c dis	-0.80-55-55 dis
W. Ger	1.84-1.87	1.86-1.87	25-25c pm	9.40-85-100 pm	0.32	1.84-1.87	1.86-1.87	25-25c pm	9.40-85-100 pm
Portugal	103.50-105.10	104.00-105.10	30-80c dis	6.86-120-220c pm	0.88	103.50-105.10	104.00-105.10	30-80c dis	6.86-120-220c pm
Spain	138.50-140.20	139.50-140.20	60c pm-10c dis	1.25-55-75 pm	1.14	138.50-140.20	139.50-140.20	60c pm-10c dis	1.25-55-75 pm
Italy	775-775	775-775	25-25c pm	2.85-85-85 pm	1.73	775-775	775-775	25-25c pm	2.85-85-85 pm
Norway	10.85-10.95	10.94-10.95	25-25c pm	5.75-15-15 pm	5.11	10.85-10.95	10.94-10.95	25-25c pm	5.75-15-15 pm
France	5.15-5.23	5.22-5.23	5-5c pm	5.65-10-8 pm	4.12	5.15-5.23	5.22-5.23	5-5c pm	5.65-10-8 pm
Sweden	9.11-9.20	9.18-9.20	4-20c pm	4.34-85-85 pm	4.70	9.11-9.20	9.18-9.20	4-20c pm	4.34-85-85 pm
Japan	480-485	483-484	4.80-3.75 pm	10.02-8.75-8.45 pm	3.27	480-485	483-484	4.80-3.75 pm	10.02-8.75-8.45 pm
Austria	28.00-28.50	28.25-28.30	23-15c pm	7.38-54-44 pm	6.70	28.00-28.50	28.25-28.30	23-15c pm	7.38-54-44 pm
Switzerland	1.35-1.35	1.35-1.35	24-35c pm	14.28-11-10 pm	12.74	1.35-1.35	1.35-1.35	24-35c pm	14.28-11-10 pm

UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

## CURRENCY RATES

June 18	Bank rate	Special Drawing Rights	European Currency Unit	June 18	Bank of England index	Morgan Guaranty index
sterling	14	0.605105	0.533008	Sterling	96.0	76.5
U.S. dollar	14	0.725452	0.639008	U.S. dollar	98.0	80.0
Canadian dollar	13 1/2	1.494221	1.262213	Canadian dollar	90.0	17.5
French franc	10 1/2	1.361448	1.192613	French franc	112.0	13.0
Belgian franc	9	56.5552	40.5191	Belgian franc	113.0	13.0
Italian lire	6	0.515448	0.254545	Danish krona	112.0	13.0
Spanish peseta	16	2.641448	1.212153	Swiss franc	151.0	42.0
Yugoslav dinar	7	6.841448	2.765292	Swiss franc	195.0	82.0
Portuguese escudo	200	20.000000	14.285714	Yugoslav dinar	151.0	42.0
Irish pound	10 1/2	108.001	1129.65	French franc	96.0	76.5
Austrian schilling	4	879.5358	295.404	Yugoslav dinar	151.0	42.0
U.S. dollar	14	0.725452	0.639008	French franc	195.0	82.0
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U.S. dollar	14	0.725452	0.639008	French franc	19	

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**Midland Bank**

Midland Bank Limited

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# PETROFINA

Société Anonyme

## Summary of the 1978 Annual Report

### Highlights of the year

Finance in thousands of S	1978	1977
Petrofina consolidated profit	96,927	88,861
Cash flow (profit before depreciation)	224,146	217,245
Sales and other revenue	3,808,325	3,617,009
Duties and taxes	1,052,025	924,185
Fixed assets (net of depreciation)	1,763,188	1,597,886
Exchange rate	60.394	62.547

Operations	1978	1977
Production of crude (in thousands of metric tons)	7,950	7,116
Crude oil processed in the Group refineries	25,600	24,100
Sales of finished products (in thousands of metric tons)	30,700	28,400
Sales of natural gas (in millions of cubic metres)	5,500	4,900

Figures adjusted for the 1978 increase in compensation with 1977

### Report of the Board of Directors

Despite a first half year adversely affected by the consequences of the economic crisis, a temporary overproduction of crude oil and a further depreciation of the dollar, Petrofina's consolidated profit was 96,927 million Belgian francs (S 96,927,000) 455 francs per share, compared with 88,861 million Belgian francs in 1977, an increase of 7.8%.

The improvement, which became particularly noticeable in the last two months of the year, is continuing.

We propose to distribute a dividend of 120 Belgian francs per share, net of withholding tax, compared with 180 Belgian francs for the previous year.

The improvement in the results would have been more than 1,200 million Belgian francs (S 1,200,000,000) before taking into account the extraordinary items in 1977, and before drawing on the fund for replacement of inventories in 1978. If the average exchange rate for the dollar had remained unchanged in 1978 as compared with 1977.

In the financial section of our report and in the notes attached to it, you will find detailed explanations of the changes which we have made in the method of converting the results of our foreign activities into Belgian francs as well as details of the extraordinary items which affected the 1977 and 1978 results.

The cash flow was 224,146 million Belgian francs (S 224,146,000) an increase of 4%.

The consolidated turnover amounted to 3,808,325 million Belgian francs (S 3,808,325,000) an increase of 5.3% over 1977. In relation to this figure, the total consolidated profit (including minority interests) represents 2.5% (2.6% in 1977).

Investment expenditure for the year 1978 amounted to 13,900 million Belgian francs (S 13,900,000,000) which was for exploration-production.

The investment budget for 1979 has been fixed at 15,000 million Belgian francs (S 15,000,000,000) of which will be allocated to exploration-production.

### Finance

Petrofina's consolidated net income for the year 1978 was 6,930 million Belgian francs (S 6,930,000,000) compared with 6,800 million francs (S 6,800,000,000) in 1977.

Because of the fluctuations in exchange rates, the expression of this net income in Belgian francs at the rates of exchange in force at the end of the year no longer provided an adequate representation of our profit for the year. That is why, bearing in mind that the income was constituted gradually over the course of the year and also in view of the increase in capital expenditure, this average annual exchange rate for the various currencies have been used both to calculate the consolidated net income and as the historic rate of exchange for the fixed assets bought during the year by the foreign subsidiaries.

This new method of calculation has the effect of increasing the results for 1978 by 657 million Belgian francs and those for 1977 by 673 million francs.

During the course of the first half year, the value of products suffered an exceptional depreciation. This decline in prices out to the fall in the dollar, in fact made it impossible, outside the United States, to recover the cost of the crude oil from which the products were made. To make good this loss, 834 million Belgian francs was withdrawn from the fund for the replacement of stocks which was constituted for this particular purpose.

Exceptional items hardly entered into the 1978 results at all, whereas in the previous year, they represented a net profit of 1,234 million Belgian francs.

The net dividend of 2,621,426,850 Belgian francs (S 4,751,000) corresponds to a gross dividend of 3,161,870,815 Belgian francs (S 5,219,000) on which a withholding tax of 630,374,183 Belgian francs (S 10,438,000) is paid by the company on behalf of the shareholders.

Coupon 1978 will be payable as from May 13, 1979 at the rate of BF 120 net after tax.

Copies of the English edition of the 1978 Annual Report and Account, are available on application to Petrofina, UK, Ltd, Petrofina House, York Road, London SE17 1HT

This announcement appears as a matter of record only.



## GENSTAR FINANCE N.V.

(Curaçao, Netherlands Antilles)

a wholly owned subsidiary of

## GENSTAR HOLDING N.V.

(Rotterdam, the Netherlands)

US \$ 60,000,000  
8-Year Revolving Term Loan

Provided by

AMSTERDAM-ROTTERDAM BANK N.V.  
BANQUE EUROPÉENNE DE CRÉDIT (BEC)  
DEUTSCHE BANK  
COMPAGNIE FINANCIÈRE LUXEMBOURG  
MIDLAND-BANK LIMITED

Arranged by

BANQUE EUROPÉENNE DE CRÉDIT (BEC)

as Agent



June 1979

مكتبة الأمل

Companies  
and Markets

## INTNTL. COMPANIES and FINANCE

### EUROPEAN CHEMICALS

## Bayer and Montedison increase sales

BY OUR FINANCIAL STAFF

SHARP INCREASES in sales are reported by two of Europe's major chemical companies—Bayer of West Germany and Montedison of Italy—for the opening months of this year. Over the first five months of 1979, sales at Bayer AG are running some 14 per cent ahead of the comparable 1978 period, while at Montedison sales growth over the opening four months is 24 per cent for the group as a whole.

As a direct result of the improved demand, Herr Herbert Gruenewald, Bayer's managing board chairman, told yesterday's annual meeting that higher profits could be expected for 1979. He added that if all goes well shareholders would receive an appropriate dividend this year.

The chairman based his predictions on the favourable economic climate in Germany and Europe, as well as continuing growth in the U.S. Both turnover and capacity usage had this year increased sharply. Foreign sales during the five months had risen by 19 per cent with the parent company's domestic turnover ahead by 7 per cent. Over the period, Bayer's worldwide sales had improved by 13 per cent in DM equivalent. Herr Gruenewald declared.

At Montedison, Italy's largest chemical group, consolidated sales during the first five months were outpaced by the parent company performance where turnover improved by a full 30 per cent to L1,260bn (\$1.5bn). A crucial problem facing

Bayer this year was the extent to which price increases, ranging from naphtha to aromatics, can be passed on to customers. Bayer estimated that increased raw material prices would lift costs by DM 600m this year.

On average selling prices last year dipped by 4 per cent. So far this year prices "have returned" to year-ago levels following higher petrochemical prices.

Touching on the subject of capital spending, Bayer explained that its world group fixed asset investment would total around DM 2bn (\$1.05bn) in 1979, a slight increase on last year's DM 1.7bn. However, the higher investment did not suggest that any "spectacular financial measures" could be expected from Bayer this year, the company noted.

It was pointed out that the issue in January of the \$200m option bond by Bayer International Finance NV has been successfully placed.

The company also pointed out that it planned to sell its minority stakes in the two German tyre companies Continental Gummi-Werke AG and Phoenix AG "when the offers present themselves." Bayer acquired just over 11 and 20 per cent respectively in Conti and Phoenix when the three shareholders of Corona Bettinggesellschaft decided to dissolve the company.

Bayer will transfer its remaining 25 per cent shareholding in Chemische Werke Huels AG to Veba AG at the turn of this year for a price of DM 450m.

## Dutch borrowers move shorter

BY OUR FINANCIAL STAFF

THE TREND to shorter maturities in the Dutch capital market shows every sign of gathering pace as the cost of long term debt causes new borrowers to think twice about the length of their loan commitment.

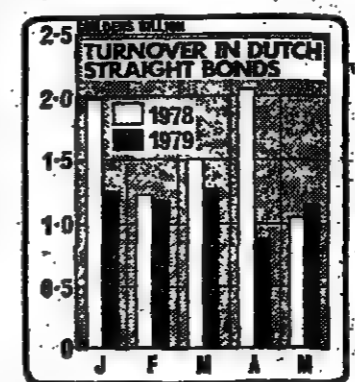
Long term bond coupons have now moved up to within range of double figures following the government's recent decision to borrow over 15 years on a coupon of 9 per cent.

Against this background the corporate sector has had little option but to shorten up.

The latest new issue to opt for a maturity of seven years is the insurance company Ennia which is borrowing Fls 100m on a coupon of 9 1/2 per cent—or a full quarter point less than that attached earlier this month to the AKZO seven year bond.

At the same time, the Ennia offering is priced at par whereas the AKZO loan has eased to 99 in early dealings compared with an issue price of 99 1/2. Name is the crucial ingredient here with the insurance company having far less of a debt market risk than AKZO whose recent earnings performance has been marred with losses.

However, over the past week the Amsterdam market has been hardening, in sympathy with the trend in West Germany where bond markets after an almost unprecedented shake-out have finally stabilised. Dutch dealing volume has also begun to improve.



During the first four months of this year turnover was running more than a third down on the comparable months of 1978. However, the pattern suddenly reversed with a rise of 8 per cent, since when dealers in Amsterdam have continued to report increases in activity.

In Frankfurt, bond markets

are holding on to their recent price recovery. The new West German state loan is in demand, notably at the ten-year end, and both the 7 1/2 per cent and 8 per cent tranches of the stock have moved to premiums over their issue prices. The ten-year issue has risen to 100.5, against an issue price of 99 1/2.

The response to Monday's issue of long-dated Schindler has been much more muted. The ten to 15 year promissory notes have been issued right in line with the market and as such give no official lead to yield levels.

The ten-year tranche offers a return of 8.13 per cent and yields rise from 8.2 per cent to 8.24 per cent between 11 and 12 years. The longest, 15-year issue returns 8.35 per cent, and the initial reaction by the investing institutions is described by dealers as favourable.

Looking further ahead, the next major test for the German market could be a new loan to be from the Federal Railway (Bundesbahn). The new issue consortium is expected to meet in Frankfurt later this week to decide on terms.

## NN wins over Georgia Life

BY CHARLES BATCHELOR IN AMSTERDAM

NATIONALE-NEDERLANDEN (NN), the largest Dutch insurance group, yesterday announced its Fl 700m (\$300m) bid for the Atlanta-based Life Insurance Company of Georgia had succeeded. Holders of 97 per cent of Georgia Life's capital have offered their shares.

NN last week signed loan agreements for \$120m and Fl 212m to finance part of its bid of \$80 per share. Its operations in the U.S. now comprise three life and two non-life insurance companies, apart from Georgia Life. Its total assets are nearly Fl 3.5bn (\$1.67bn) while revenue amounts to about Fl 1bn. This represents 15 per cent of total group revenue.

The Atlanta company's 1978 net profit was \$24m on total revenue of \$335m, comprising \$173m premium income and \$60m investment income. In the first quarter of the year ended March 31, net profits rose by 13 per cent.

Georgia Life has 134 service offices in 11 states in the southern U.S. It has a staff of 1,450 and about 3,750 agents. Its acquisition means that the contribution of international operations to the total revenue will rise to 40 per cent from 35 per cent.

The early stage of negotiations between the two companies was not smooth with the Atlanta company revealing last October that it had rejected a bid before it had been publicly announced that talks were under way. NN later denied that the talks had reached the stage of a formal bid. The price NN has paid for Georgia Life's shares is \$10 higher than the level originally considered.

Dutch investment fund Rolinco has emerged from the third quarter of 1979 with a near 5 per cent increase in net assets. During the three months, assets per share improved to Fl 130.5 from the Fl 125 seen

at the end of the first six months.

The fund attributed the growth to higher prices for equity stocks during the period. Rolinco said that it continued to maintain a strong cash position in the third quarter. In the light of uncertainties in the major economies in which it has investments.

At the end of the quarter, total net assets were Fl 2,243bn compared with Fl 2,235bn at the end of the second quarter. During the most recent period, Rolinco increased its investments in the U.S. to 35.5 per cent of the total from 32.9 per cent, decreased investments in West Germany to 6.4 per cent from 7.6 per cent, and decreased investments in Japan to 13.1 per cent from 13.9 per cent.

The proportion of investments in the Netherlands was little changed at 11.4 per cent compared with 11.5 per cent at the end of the second quarter.

## Gruner & Jahr expands in U.S.

By Guy Hewitt

GRUNER & JAHR, West Germany's largest publishing company, has further expanded its United States operations through the acquisition of Bemis company's subsidiary Brown Printing Company.

Already Gruner & Jahr's U.S. empire is substantial. The Hamburg-based group owns Bantam books and is publishing an English language version of its highly successful "Geo" geographical magazine there in direct competition with "The National Geographical Magazine".

Brown Printing operates out of Minnesota, Pennsylvania and Kentucky, in the offset and gravure printing fields. It employs some 1,800 workers and total sales in 1978 amounted to \$77m.

## Heuer-Leonidas in the red as turnover declines

BY OUR ZURICH CORRESPONDENT

THE LEADING stopwatch manufacturer Heuer-Leonidas SA, of Bienna, booked a parent company loss of SwFr 1.25m (\$781,000) for last year following a small profit of SwFr 0.27m for 1977. Group turnover fell by some 20 per cent from SwFr 22.29m to SwFr 17.82m due mainly to unfavourable exchange rates and supply problems.

Heuer-Leonidas, which also produces chronometers and other precision timepieces, expects to return to a positive cashflow and a net profit position again in 1979.

Among foreign subsidiaries, the UK company Heuer Time booked a per cent rise in turnover last year due largely to the introduction of the French watch collection "Michael Herbellin". Heuer Time showed a profit for the year's operations.

technical ceramics.

Group cashflow went up from DM 81m to DM 32.7m in 1978 and consolidated net profit from DM 9.1m to DM 10m (\$5.29m) of this total. Parent-company profits were up from DM 3.45m to DM 4.18m.

After its \$189m tender offer for Maremont Corporation of the U.S. has expired—the Maremont board agreed to the acquisition earlier this week—Alusuisse intends to have Maremont call all of its class "A" preferred shares at a call price of \$100 per share plus accrued dividends.

## Italian rail bond issue

Ferrovie dello Stato, the Italian state railways, is raising L100 bn (\$118m) through a seven-year bond issue carrying a coupon of 12 per cent.

The borrowing is the first of several planned for 1979. A further issue for L200bn, also for seven years, will be made shortly while in the autumn the railway is planning a \$200m seven year Euroloan.

THE GERMAN porcelain and ceramics group Rosenthal AG, Selb, is to pay an unchanged 16 per cent dividend for 1978, subject to shareholder approval, plus a 4 per cent bonus to mark the company's centenary. World turnover rose from DM 431m to DM 470.6m last year, of which DM 184.7m was accounted for by crockery and ornamental porcelain and DM 154.7m by

## German bank move by BUE

PARIS—Banque de l'Union Européenne (BUE) is consolidating its German activities by selling its shareholding in one bank and acquiring a majority interest in another.

BUE is to put into effect an agreement made last December with the Royal Bank of Canada on selling the Canadian institution its 33 per cent stake in Burgardt und Nottebohm AG

which was formed recently through the merger of Burgardt und Brockelschen of Nordmund and Dusseldorf and Bank Nottebohm of Hamburg.

At the same time, BUE will expand its 20 per cent interest in Dibury Bank AG of Frankfurt to 80 per cent by acquiring the interests of other shareholders.

AF-11

## Swiss fund assets hit by currency

By John Wicks in Zurich

THE FOREIGN exchange strength of the Swiss franc option bond by Bayer International Finance NV has been successfully placed.

The company also pointed out that it planned to sell its minority stakes in the two German tyre companies Continental Gummi-Werke AG and Phoenix AG "when the offers present themselves." Bayer acquired just over 11 and 20 per cent respectively in Conti and Phoenix when the three shareholders of Corona Bettinggesellschaft decided to dissolve the company.

Bayer will transfer its remaining 25 per cent shareholding in Chemische Werke Huels AG to Veba AG at the turn of this year for a price of DM 450m.

At the same time, the American securities fund American Valor, which is connected to the same bank, is to pay a gross SwFr 11.50 per certificate after a fall in per share price from SwFr 12.50 to SwFr 11.57 for the holdings ended March 31. Holdings over the period increased from SwFr 24m to SwFr 25m.

Another Swiss Bank, Credit Suisse, is to reduce from SwFr 4.80 to SwFr 4.50 the dividend per certificate for its European fund Europa-Valor in respect of the year ended April 30. While holdings rose by 23.5 per cent over the period to SwFr 43.3m, earnings were affected by exchange-rate developments. For the same bank's Swiss share fund Schweizeraktien, however, dividend is being raised from SwFr 5 to SwFr 5.40 per certificate.

In 1978-79 this fund's holdings increased sharply from SwFr 148.3m to SwFr 187.3m.

## Jordan forward exchange move

By Rami G. Khouri in Amman

THE CENTRAL BANK of Jordan is drafting regulations to establish an organised foreign exchange forward market before the end of this year. The need for such a market has been sorely felt by international contractors and large Jordanian trading establishments, particularly since the Government started quoting all its contracts in Jordanian dinars early last year.

Contractors had covered themselves by borrowing dinars locally at the time of contract signing to hedge against any fluctuation in the dinar's value during the life of the contract, but this practice has been banned by the central bank because of the strain it places on the local credit market.

The central bank has allowed contractors to borrow dinars only to cover the local component of their contracts, but this still leaves large contracts without forward cover for most of the value of the contract.

The central bank regulations are primarily aimed at preventing speculative dealings and creation of artificial demand that would strain the Jordanian market. The regulations are expected to be finalised, and the forward market started, within the next few months, central bank officials said in Amman.



## GRUPPO FINANZIARIO TESSILE

Società per Azioni—Capitale Sociale Lit.5.500.000.000  
Head Office, Torino (Italia) — Corso Emilia, 6

U.S.\$6,500,000 Convertible Bond Loan  
8% 1973-1981

No. 11 Dividend Coupon Payment  
July 1, 1979

Bondholders are hereby informed that the expiring coupon will be payable as from July 1st, 1979, at the following banks:

BANQUE GUTZWILLER, KURZ,  
BUNGENER SA — GENEVE  
BANCA DEL GOTTARDO — LUGANO  
BANQUE INTERNATIONALE  
A LUXEMBOURG S.A.  
BANCA PREALPINA — LUGANO  
ROTHSCHILD BANK A.G. — ZURICH

# INTERNATIONAL COMPANIES and FINANCE

## Hong Kong seek ing

ge Lee in Singapore

**HONG** Manufacturing the edible oil manu- is making a public 04m of its shares, and a listing on the Stock of Singapore.

ong, which is asking r share for its S\$1 par the second company listing on the Singa- Exchange this year. was Jooong Cement, ars offer was made week

ne of new shares will wa Hong's existing pital of S\$8.96m to hed in 1948, Hwa ported turnover of U.S.\$16.9m) and pre- of S\$2.13m (U.S.\$1m) ear to December. Ex- accounted for 72 per cent turnover.

ng said that profits for at year should not be those last year, and pects to maintain last dividend rate of 10 in the current finan-

ible assets per share issue will be S\$1.18.

## dend d at it

Johannesburg indent

**NION** General Invest- st. Liberty Life's listed cent investment sub- as declared a 31 per in taxed profit to (m) for the six months 0, from R2.6m in the od last year.

proved performance he generally higher income. Any surplus through the sale of not shown as profit, transferred to a non- ble reserve. Higher urg stock exchange uted its net-assets per share to 147 cents— per cent above the 17 cents share price— cents a year earlier, term dividend is in- o 3.5 cents.

**HARVEY & ROSS INVESTMENT MANAGEMENT LTD.**  
Corinth, London EC4V 3PB. Tel. 01-423 8314.  
Index: Guide as at June 14, 1979  
Capital Fixed Interest Portfolio ..... 115.25  
Income Fixed Interest Portfolio ..... 105.00

## Canadian Tire buys into Australian hardware group

**TORONTO** — Canadian Tire Corporation has announced that it has entered an agreement to purchase an A\$2.2m (US\$3.4m) convertible note of McEwans, the largest hardware retailer in Australia, reports AP/DJ.

Canadian Tire said that the note would be convertible into about 10 per cent of the stock of the Melbourne-based concern.

For the fiscal year to June 30 last year McEwans had sales of A\$115m, and net income of A\$2.7m.

McEwans, a public company, operates in Melbourne and Victoria, and has subsidiaries operating in other states. The company also runs a number of

home centres in suburban areas of Melbourne, marketing building products, lumber and other hardware goods.

Robert Gibbins writes from Montreal: Canadian Tire is Canada's largest merchandiser of tyre and car accessories through one of the largest franchise operations in North America. The company's stores also sell a wide range of hardware and sporting goods.

The company is strongest in eastern Canada, is expanding in the west, and has been looking for an acquisition to enter the U.S. Its earnings this year have been in a recovery stage after a downturn.

In the first quarter of this year, Canadian Tire earned C\$8.7m (US\$7.5m), or 75 cents a share, against C\$61.1m or 53 cents a year earlier on revenues of C\$211m (US\$182m), against C\$165m.

Earlier this month the company said it had postponed its planned expansion into the U.S. for at least another two or three years, but will enter the British Columbia market with eight stores to be opened in the Vancouver area in the next year. Expansion is also planned in Alberta and Saskatchewan.

The company has at present well over 300 stores in Canada.

## Toncoro sets growth target

By Our Johannesburg Correspondent

**TONGAAT COROGROUP**—the brickmaking conglomerate created last October through the merger of Coronation Industrial with Primrose Industrial Holdings—is set to raise earnings a share by more than 22 per cent from the 14.1 cents achieved in 1978-79. Mr. Jack Robertson, the chairman, says in the annual report.

For the year to March 31, net income is reported to have tripled, to R3m (\$3.6m), from R1m in 1977-78, with earnings a share rising to 14.1 cents from 9.2 cents. The R3m reflects 12 months' contribution from Coronation, but only nine months from Primrose. The inclusion of a full year's earnings for both would have produced earnings of 17.2 cents a share—or 22 per cent more than those shown—the directors say.

The report spells out the financial objectives that have been set for the newly-enlarged company.

● To aim at an interest cover of four times (in the year of four times, but 3.4 times);

● To limit borrowings to one third of total capital employed (last year's figure was 30.3 per cent);

● To have at least 80 per cent of total borrowings in the form of long-term money (last year the level was 50 per cent).

In future, Toncoro will pay two dividends a year, an interim declared in December and a final in April, and the total payout will be approximately 30 per cent of earnings after making an appropriation for the higher replacement costs of buildings and plant over historical cost.

Toncoro is budgeting for a sales rise of 10.2 per cent this year in unit terms, against 1979's rise of 11 per cent. This would enable utilisation of the company's plants to be stepped up from last year's 69 per cent to 73.4 per cent, while at the same time reducing the stockpile from 130m to 120m. Even this smaller stockpile would however be bigger than the target of 60m.

Bricks—Toncoro's main product—are price controlled, with a profit ceiling temporarily reduced to a 10 per cent return, before interest and tax, on assets. Last year's return was 6.4 per cent.

However, blows such as the fuel price increases have hit Toncoro hard—the February rise increased the company's manufacturing costs by R500,000 a year, and this month's increase will add another R1.2m.

## CDs widen yen money market

**TOKYO**—The introduction of yen certificates of deposits in mid-May would encourage the liberalisation of Japan's rigidly-controlled interest rate structure and lead to the development of a fully-fledged short-term money market in Japan, according to Mr. Yasuhiro Kuga, deputy research director of Fuji Bank.

In an article contributed to the financial weekly, Kinuza Zaisei Jijyo, Mr. Kuga said that the 13 Japanese City banks issued an estimated ¥700bn of CDs on May 16, the first day of issue, at interest rates ranging from 5.1 per cent to 5.3 per cent. The CDs are exempt from interest rate control.

The framework for City banks' CD issues will increase to ¥1,070bn by the January-March quarter next year from ¥430bn in the April-June quarter this year, and this would accelerate the freeing of interest rates in Japan and absorb surplus funds held by both business corporations and institutional investors, Mr. Kuga argued.

The three-month interest rate for Gen-Saki trading, a relatively free repurchase-basis bond market with an outstanding balance of ¥4,000bn, had risen from around 5 per cent to 5.25 per cent since the first flotation of CDs, facilitating arbitrage between the two markets.

Arbitrage might also develop with the bill-discounting market—which had an outstanding balance of ¥15,000bn, and in which the three-month rate was 5.825 per cent—if the interest differential with CDs narrowed, because the issue cost of CDs was lower.

Frameworks for CD issues should be removed entirely to let market factors decide issue amounts, while present limits on their transferability should be lifted to make them freely negotiable, Mr. Kuga maintained.

Maturities of yen CDs were currently limited to between three months and six months, but this should be extended to one year soon to meet market needs better.

## Union Steel profits increase

BY OUR JOHANNESBURG CORRESPONDENT

**THE** Union Steel Corporation, of South Africa, the major specialist steel and alloy producer in which the Government-owned Mafkor has a 31 per cent stake, increased its taxed profit by 83 per cent to R1.8m (\$2.1m) in the first four months of 1979, from its level in the same period

of the previous year, Dr. M. D. Marais, the chairman, announced at the annual meeting.

This follows the 338 per cent taxed-profit rise for the last full year, to R3.8m, from R1.1m, arising largely from the switch out of mild steel production to special steel products. The latter is not subject to price control, and margins were consequently lifted. Turnover for the year was R137.3m, against R126m.

Transvaal Copper rod, a manufacturing company owned jointly with Palabora Mining, had also contributed signifi-

cantly to the group's four-month profit. Despite higher prices the 100 per cent owned subsidiary, Veldmaster which manufactures agricultural discs and earth engaging equipment, had continued to trade at a loss, but at a reduced rate.

Despatches of all steel products for the first four months were maintained at the same level of the corresponding 1978 period, while those of copper rod increased.

Despatches of aluminium conductor rose but because of low prices this section was still making a loss, Dr. Marais said.

## Santa Fe International Finance Corporation

91/2% Guaranteed Bonds due 1986

**NOTICE IS HEREBY GIVEN** that, pursuant to the provisions of the Indenture dated as of July 15, 1976 among Santa Fe International Finance Corporation, Santa Fe International Corporation and The Chase Manhattan Bank (National Association), as Trustee, \$500,000 in principal amount of the above Bonds will be redeemed through operation of the Sinking Fund on July 15, 1979 at the principal amount thereof together with accrued interest thereon to said redemption date.

The serial numbers of the Definitive Bonds to be redeemed, all bearing the prefix M, are as follows:

18	4489	9215	9237	9237	10216	10272	14285	16212	18069	20675	22827	24574	26221	28407
22	1487	9403	9582	9583	10229	10236	14269	16277	18265	20707	22383	24630	26383	28602
39	1535	1703	5314	5314	10239	10241	14271	16289	18307	20749	22425	24672	26425	28644
47	1586	2783	5341	5341	10243	10245	14411	16347	18365	20807	22483	24730	26483	28702
64	1630	2860	5386	5386	10253	10255	14518	16453	18471	20913	22589	24836	26589	28808
97	1675	2865	5391	5391	10257	10259	14519	16454	18472	20914	22590	24842	26595	28814
102	1726	2871	5415	5415	10270	10272	14633	16571	18589	21031	22681	24938	26691	28910
122	1740	2901	5462	5462	10318	10319	14764	16702	18720	21162	22812	25069	26822	29041
134	1812	4916	5557	5557	10319	10320	14765	16703	18721	21163	22813	25070	26823	29042
149	1826	4154	5314	5314	10324	10325	14716	16657	18655	20959	22434	24683	26436	28655
219	1829	4170	5324	5324	10326	10327	14718	16659	18657	20959	22434	24683	26436	28655
222	1860	4172	5326	5326	10327	10328	14719	16660	18658	20960	22435	24684	26437	28656
248	1873	4223	5436	5436	10328	10329	14720	16661	18659	20961	22436	24685	26438	28657
283	1886	4250	5463	5463	10329	10330	14721	16662	18660	20962	22437	24686	26439	28658
297	1926	4310	5515	5515	10332	10333	14724	16665	18663	20965	22440	24689	26442	28661
453	2015	4381	5624	5624	10335	10336	14727	16668	18666	20968	22443	24692	26445	28664
590	2061	4484	5644	5644	10337	10338	14729	16670	18668	20970	22445	24694	26447	28666
594	2076	4502	5677	5677	10338	10339	14730	16671	18669	20971	22446	24695	26448	28667
668	2144	4544	5832	5832	10341	10342	14733	16674	18672	20974	22449	24698	26451	28670
766	2147	4583	5880	5880	10342	10343	14734	16675	18673	20975	22450	24699	26452	28671
820	2172	4622	5919	5919	10343	10344	14735	16676	18674	20976	22451	24700	26453	28672
849	2178	4768	5998	5998	10344	10345	14736	16677	18675	20977	22452	24701	26454	28673
907	2185	4780	6009	6009	10345	10346	14737	16678	18676	20978	22453	24702	26455	28674
1005	2215	4805	7058	7058	10347	10348	14739	16680	18678	20980	22455	24704	26457	28676
1010	2216	4806	7059	7059	10348	10349	14740	16681	18679	20981	22456	24705	26458	28677
1116	2311	5108	7284	7284	10352	10353	14744	16685	18683	20985	22460	24709	26462	28681
1110	2415	5202	7156	7156	10353	10354	14745	16686	18684	20986	22461	24710	26463	28682
1117	2433	5222	7286	7286	10354	10355	14746	16687	18685	20987	22462	24711	26464	28683
1118	2434	5223	7287	7287	10355	10356	14747	16688	18686	20988	22463	24712	26465	28684
1122	2566	5174	7313	7313	10357	10358	14749	16690	18688	20990	22465	24714	26467	28686
1182	2648	5219	7358	7358	10359	10360	14751	16692	18690	20992	22467	24716	26469	28688
1207	2648	5219	7358	7358	10360	10361	14752	16693	18691	20993	22468	24717	26470	28689
1240	2667	5289	7421	7421	10362	10363	14753	16694	18692	20994	22469	24718	26471	28690
1248	2670	5292	7424	7424	10363	10364	14754	16695	18693	20995	22470	24719	26472	28691
1315	2682	5340	7541	7541	10365	10366	14756	16697	18695	20997	22472	24721	26474	28693
1323	2682	5340	7541	7541	10366	10367	14757	16698	18696	20998	22473	24722	26475	28694
1383	2682	5340	7541	7541	10367	10368	14758	16699	18697	20999	22474	24723	26476	28695
1426	2702	5375	7591	7591	10368	10369	14759	16700	18698	21000	22475	24724	26477	28696
1426	2702	5375	7591	7591	10369	10370	14760	16701	18699	21001	22476	24725	26478	28697

Interest on said Bonds shall cease to accrue on the redemption date and on said date the redemption price will become due and payable on each of said Bonds called for redemption.

Payment of the Bonds to be redeemed will be made upon presentation and surrender thereof, together with all coupons appurtenant thereto maturing subsequent to the redemption date, at The Chase Manhattan Bank (National Association) in the Borough of Manhattan, The City of New York, or at the option of the holder, at the offices of The Chase Manhattan Bank (National Association) in Frankfurt/Main, London and Paris, and at the offices of Nederlandse Credietbank N.V. in Amsterdam, Banque de Commerce S.A. in Brussels, Swiss Bank Corporation in Basel and Zurich, and Banque Internationale à Luxembourg S.A. in Luxembourg. Such Bonds and coupons should be surrendered at the office of The Chase Manhattan Bank, N.A. Corporate Bond Redemption, 120 York Plaza, 14th Floor, New York, New York 10015 or, at the option of the holder at:

The Chase Manhattan Bank, N.A. P.O. Box 440 Woolgate House, Coleman Street London EC2P 2BD, England	Banque Internationale à Luxembourg S.A. 7, Boulevard Royal Luxembourg, Luxembourg
The Chase Manhattan Bank, N.A. Main Office 41 Rue Cambon Paris 1ER, France	Nederlandse Credietbank N.V. Herengracht 438 P.O. Box 941 Amsterdam, The Netherlands
The Chase Manhattan Bank, N.A. Frankfurt Branch P.O. Box 4423 Frankfurt/Main 1, Germany 6000	Swiss Bank Corporation 1 Aeschenvorstadt CH-4051 Basel, Switzerland
Banque de Commerce S.A. 51/53 Avenue des Arts Brussels, Belgium	Swiss Bank Corporation Paradeplatz 6 8022, Zurich, Switzerland

Coupons which shall mature on said redemption date should be detached and surrendered for payment in the usual manner.

**SANTA FE INTERNATIONAL FINANCE CORPORATION**  
By The Chase Manhattan Bank (National Association)  
as Trustee

Dated: June 13, 1979

5W Issue

May 1979

U.S. \$50,000,000

## Canadian Pacific Limited

9% Collateral Trust Bonds due 1989

Orion Bank Limited

A. E. Ames & Co. Limited

Pierson, Heldring & Pierson N.V.

Salomon Brothers International

Swiss Bank Corporation (Overseas) Limited

Jahli Bank of Kuwait (K.S.C.)  
Jagene Bank Nederland N.V.  
American Express Bank  
International Group  
Amsterdam-Rotterdam Bank N.V.  
Amsterdamsche Bank A.S.  
Banca Halsey Stuart Shields Incorporated  
Banca Commerciale Italiana  
Banca del Gottardo  
Banca Nazionale del Lavoro  
Banca di Roma  
Bank Gutwiler, Kurz, Buegener (Overseas)  
Bank Heuser & Cie AG  
Bank Julius Baer International Limited  
Bank Leu International Ltd.  
Bank Mees & Hope NV  
Bank of America International Limited  
Bank of Bermuda  
Banque Arabe et Internationale  
Banque d'Investissement (B.A.I.)  
Banque Bruxelles Lambert S.A.  
Banque de la Société Financière Européenne  
SFE Group  
Banque de l'Indochine et de Suez  
Banque de l'Union Européenne  
Banque de Neuilly, Schumberger, Mallet  
Banque de Paris et des Pays-Bas  
Banque Française du Commerce Extérieur  
Banque Générale du Luxembourg S.A.  
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Banque Populaire Suisse S.A. Luxembourg  
Banque Rothschild  
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Barings Brothers & Co., Limited  
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Blyth Eastman Dillon & Co. International  
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Compagnie de Banque et d'Investissements  
(Underwriters) S.A.  
Continental Illinois Limited  
Copenhagen Handelsbank

County Bank Limited  
Creditanstalt-Bankverein  
Crédit Commercial de France  
Crédit du Nord  
Crédit Industriel d'Alsace et de Lorraine  
Crédit Industriel et Commercial  
Crédit Lyonnais  
Crédit Suisse First Boston Limited  
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Europar Bank Company Limited  
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Nue Bank  
The Nikko Securities Co. (Europe) Ltd.  
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Orion Pacific Limited  
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Scandinavian Bank Limited  
J. Henry Schroder Wagg & Co. Limited  
Skandinaviska Enskilda Banken  
N.V. Slavenhandels Bank  
Smith Barney, Harris Upham & Co.  
Incorporated  
Société Générale  
Société Générale Alsacienne de Banque  
Société Générale de Banque S.A.  
Sparbankernas Bank  
Strauss, Turnbull & Co.  
Sumitomo Finance International  
Svenska Handelsbanken  
Union Bank of Finland Ltd.  
Union Bank of Switzerland (Securities)





# May trade figures confuse the market and both Gilts and equity leaders finish on an uncertain note

**Account Dealings Dates**  
Option  
\*First Declara- Last Account  
Dealings Date Dealings Day  
June 4 June 14 June 15 June 26  
June 18 June 28 June 29 July 2  
July 3 July 13 July 24  
\*New time\* dealings may take  
place from 9.30 am two business days  
earlier.

The after-hours announcement of the latest UK trade returns confused stock markets yesterday and one firm of leading jobbers decided temporarily to cease trading in both equities and Government securities. Others continued to trade and, in recognition of a May trade deficit of only £185m against a figure of £500m or more which had been mooted on Monday, raised lending shares by several pence.

Receipt a while later of the full details of the January/May returns prompted fears about the underlying pattern of trade and caused a considerable amount of indecision. The result was that leading equities eventually reverted back to 3.50 levels and sometimes lower. This was reflected in the FT 30-share index which had recorded a rise of 4.8 at 3 pm, but closed 3.7 up on balance at 456.8. Prior to the announcement of the trade returns, trade in the equity leaders was at an extremely low ebb but prices improved mainly

in sympathy with a firmer tone in the gilt-edged sector. Elsewhere, more buying interest developed in selected secondary equities, particularly those with dividend potential. The overall firmness was reflected in rises commanding a five-to-one majority over falls in all FT-quoted individuals.

Less pessimistic views about the likely trade deficit for May encouraged support of Gilt-edged securities which, in a relatively thin trade, brought a mid-afternoon gain extending to a full point before softening just prior to the 3.30 pm official announcement. Because of confusion surrounding the January/May UK balance of payments, business was suspended for ten minutes or so. When it resumed, prices hardened before indecision finally set in and the gains at both ends of the market were reduced to 1, with the easier trend continuing in very late trade, despite sterling's strength.

Further institutional buying of investment currencies pushed rates up to 4.11 per cent before a close of 4.01 per cent for a net gain of 1. The late upsurge in sterling had little noticeable impact on sentiment. Yesterday's SE conversion factor was 0.8803 (0.8836).

Reflecting the quiet conditions in equities, the Traded options

market attracted only 338 contracts, the lowest total since January 11.

**Chris Moran firm**  
Insurance took a turn for the better but the volume of business was modest. Buying ahead of today's preliminary results helped Christopher Moran rise 4 to 40p, after 41p, among brokers where Brentnall Bears revived with an improvement of 3 to 23p. Reports that several Lloyd's underwriting syndicates plan to sue E. Heath prompted early nervousness in the latter which eased to 190p before rallying late to close unaltered on balance at 183p. Life issues did well with Hambro Life, helped by good results reported by its associated concern Hambro, closing 5 dearer at 132p. Pearl, 256p, and Legal and General, 173p, gained 6 apiece, while London and Lancashire appreciated 3 to 140p. Sun Alliance added 14 to 544p. Royals gained 9 to 357p and Commercial Union put on 6 to 149p among Companies.

Comment on the strong second half recovery helped Hambro move higher to 312p before profit-taking left the shares a couple of pence off on balance at 303p. The major clearers hardened a shade with Lloyds closing 2 up at 325p and NatWest similarly harder at 353p. Hire Purchases revived with UDT 2 higher at 43p and Financial 3 to the good at 37p.

Business in Breweries remained at a fairly low ebb and the leaders closed slightly off the top. Bass improved 4 to 214p, while Scottish and Newcastle gained 2 to 127p following the AGM. Elsewhere, Eurotherm put on 7 to 330p on buying ahead of the interim figures due on July 9. Still benefiting from Press mention, Highland Arms 3 further to 69p and Brakes Group gained 3 to 127p following the AGM. Cableform appreciated 3 to 64p and United Scientific added 5 to 289p.

Apart from fresh demand for John Brown, up 6 more at 517p, on its dividend potential, little of interest occurred in the Engineering leaders. Elsewhere, British Aluminium were good at 343p, up 3, following the company's decision to expand its aerospace alloys output, while good annual results and price recovery on the part of the company prompted marked firmness in Talcumit, which advanced 11 to 156p. Aversy moved 4 more to 268p and Baker Perkins hardened 2 further to 159p, the latter ahead of Thursday's preliminary results. Demand left Mining Supplies 6 higher at 95p, but Brown and Tawse continued to reflect disappointment with the annual results and shed 4 more to 143p.

A small interest was shown in selected secondary issues. George Bassett added 4 to 23p and Meat Trade Suppliers firmed 3

finished a couple of pence cheaper at 250p. Among other Chemicals, a late speculative flurry took Flynt up 14 to 170p, while Laporte firmed 3 to 123p and Yorkshire added 4 to 70p. Interest was shown in Carless Capel, which put on 3 to 54p.

**Stores rally**  
Having sustained heavy post-Budget falls on fears that the sharp increase in VAT would adversely affect sales, Stores staged a useful rally. W. H. Smith 173p, and R. B. Black 133p, rose 7 apiece, while Gussies A picked up 6 to 374p and chairman's bullish remarks about Barrow A gained 4 to 246p. The current trading helped UDS, put on 4 to 97p, while Marks and Spencer picked up 3 to 115p as did British Home, at 252p. Another reported bid from Leach's reversed the recent speculative upsurge in House of Fraser which closed 4 off at 194p after 192p. Lushmore hardened 2 to 73p. Elsewhere, Wearwell firmed 4 to 38p in belated response to Press comment while speculative demand in a thin market left Peters 5 to the good at 50p. Investment buying lifted MFI Furniture 10 to 142p and Lee Cooper rose 7 more to 287p following support in a thin market.

Apart from Plessey which finished a penny easier at 104p, leading Electricals improved. Thorn 14p, and GEC added 3 to 370p. Elsewhere, Eurotherm put on 7 to 330p on buying ahead of the interim figures due on July 9. Still benefiting from Press mention, Highland Arms 3 further to 69p and Brakes Group gained 3 to 127p following the AGM. Cableform appreciated 3 to 64p and United Scientific added 5 to 289p.

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to 90p, while William Morris put on 5 to 183p in a thin market. Among the leaders, Talcumit and Lyle, reviving today's interim figures, improved 2 to 152p.

A couple of pence firmer awaiting the interim results, Messrs. Forte topped 165p on the announcement before settling with a net gain of 4 at 164p. Elsewhere in Hotels and Caterers, Leadbeck improved 4 to 239p, but Grand Metropolitan eased 2 to 154p.

**Crest Nicholson up**  
Secondary issues provided the main focal points in miscellaneous industrialists. Crest Nicholson on the announcement before settling with a net gain of 4 at 164p. Elsewhere in Hotels and Caterers, Leadbeck improved 4 to 239p, but Grand Metropolitan eased 2 to 154p.

Truist reflected the generally firmer market trend. Rothschild finished 6 to the good at 230p, while New Thompson Capital rose 1 to 177p. Demand was also evident for Robert Kitchen Taylor, 12 up at 172p.

Hopes that the pending sale of the company's stake in the Beatrice North Sea oil field to BP might realise more than originally anticipated helped O. O. Deferred rise 4 to 97p.

Other Stappings also ended with a firmer bias, Lyle adding 5 at 162p and Hunting Gilson gaining 17 at 234p.

Dawson International continued to benefit from Monday's pleasing results, adding 3 to 114p for a two-day gain of 8. Certain speculative counters also found support, albeit of a small nature; Sirdar, 112p and David Dixon, 170p both firmed 3, while Towles A put on 5 at 84p.

Tobacco prices moved ahead although prices tended to finish below the day's best. Bats rose 6 to 276p, after 278p, and the Deffered 3 to 243p, after 247p. Siemens Hunter, recipient of a bid approach late on Monday, advanced 3 more for a two-day rise of 11 to 173p.

Activity in mining markets fell to minimal levels. South African Golds drifted in quiet trading until the late after-hours business when U.S. interest prior to the outcome of last night's U.S. Treasury gold auction saw one or two of the heavyweight issues move ahead.

The Gold Mines index gave 2.3 to 183p, while the ex-premium index rose 2.5 to 161.9.

Among the high-priced stocks, Vast Reef closed 4 firmer at 181p and Free State Gold rose 1 to 137p.

Medium and lower priced issues, all registered minor losses. Falls of around 1p were common to East Driefontein, 775p, Libanese, 707p, Western

## FINANCIAL TIMES STOCK INDICES

	June 10	June 11	June 12	June 13	June 14	June 15	A year ago
Government Securities	70.86	70.50	70.28	70.44	71.15	72.88	69.74
Fixed Interest	72.44	72.44	72.38	72.44	72.77	73.77	72.00
Industrial	488.9	482.8	479.0	474.2	488.9	500.0	464.2
Gold Mines	149.9	146.3	146.0	146.5	146.5	153.9	144.3
Gold Mines-Ex-2 (mtd)	149.9	146.3	146.0	146.5	146.5	153.9	144.3
Div. Yld.	6.07	6.11	6.17	6.21	6.04	5.88	5.70
Earnings, Yd. 2 (mtd)	18.98	18.68	18.22	18.34	18.50	18.48	16.48
P/E Ratio (mtd) P=	7.99	7.94	7.87	7.88	8.00	8.27	8.13
Total bargains	15,481	16,242	16,090	20,375	20,646	19,683	16,944
Equity to turnover 2m.	74.98	71.86	70.47	70.55	71.31	71.60	66.94
Equity bargains total		12,511	11,691	14,298	15,681	13,827	14,828





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# FINANCIAL TIMES

Wednesday June 20 1979

**Tarmac**  
CONSTRUCTION  
Builds for Business

## Doubts after DC-10 flights are resumed

BY LYNTON McLAINE, INDUSTRIAL STAFF

EUROPEAN AIR authorities yesterday gave the go-ahead for a resumption of DC-10 flights. But there was continued official uncertainty about the aircraft's design and about the prospects of an early return to normal operations.

In Britain, the Civil Aviation Authority re-instated certificates of airworthiness for UK-registered DC-10s, subject to new and tighter inspections.

But Mr. Geoffrey Chouffot, the director of the CAA's safety services group—which cleared the way for the authority's Board to lift the flying ban—warned about the aircraft's design.

He said: "We must assume that the engine pylon structure is not necessarily fail-safe, as had originally been thought." A fail-safe design would ensure that parts could fail but be backed up by others. It would also have allowed the engine to fall from the DC-10 without damaging the rest of the aircraft.

However, Mr. Chouffot insisted that Britain's nine DC-10s had no faults "in this part of the aircraft."

Laker Airways will resume flights with its six DC-10s, but the Skytrain services to New York and Los Angeles will use smaller Boeing 707s. The

Federal Aviation Administration has refused to lift its grounding order—also imposed by a federal judge—banning DC-10 flights in the U.S.

The FAA position made Japan turn down a request from Swissair to resume DC-10 flights to Tokyo. The Japanese Transport Ministry said there would only be a resumption after the FAA rescinded its grounding order.

British Caledonian Airways' three DC-10s will resume operations today but not of the route from Gatwick to Houston, Texas.

But the matter may not rest there. The Trade Department said in London last night that the CAA's decision to reinstate airworthiness certificates had implications for the bilateral air services agreement—Bernina II—signed in July 1977 between Britain and the U.S.

The agreement allows free access by airlines of both countries to agreed cities on each side of the Atlantic. The FAA's refusal to allow British—and other—DC-10s to land in the U.S. may be a breach of the agreement.

Ministers are studying how to respond, as the CAA move appears to go against the recommendation by the FAA that DC-10s should not fly.

However, the pattern of re-

sumption of flights was similar in other European countries operating the DC-10. National airworthiness authorities in Holland, Belgium, West Germany, Scandinavia and Switzerland all said flights could start. The first DC-10 to be back in the air was a charter flight of the Dutch Martinair company, which flew to Majorca just after midnight.

Swissair prepared a DC-10 for a flight to Tel Aviv but officials waited for approval to overfly Greece.

Mr. Chouffot said the Board of the CAA was "entirely satisfied that maintenance procedures which may have damaged some U.S. DC-10s had not taken place on the nine British aircraft."

The authority had re-instated the airworthiness certificates "after it had been established that the FAA had concentrated its examination on the pylon area of the aircraft," he said.

But under the new procedures the wing-pylon attachment will have an extra inspection before each flight. A further comprehensive inspection will be made after every 100 hours flying. The inspections will be at Gatwick, under CAA inspectors.

There will be further inspections after hard landings, encounters with turbulence or after engine failure.

## Inflation crisis in W. Germany

BY JONATHAN CARR IN BONN

THE BUNDESBANK today warns that West Germany's battle against inflation has entered a critical phase, and serves notice both to banks and Government that it will not budge from its tight monetary policies.

In its report for June, published today, the West German Central Bank reiterates its concern at the high level of Government deficits—an issue that has caused serious differences with Bonn in the past. It also warns the banks that money supply has been growing too fast.

The bank describes the danger to price stability as the most urgent current problem for economic policy. While inflationary pressures from abroad (for example through price increases) could not be controlled, everything should be done at home to prevent development of a price-wage spiral.

It warns that failure could cut economic growth and employment and recalls that the countries which most quickly recovered from the shock of the oil price increases of 1973-74 were those which had followed a firm domestic stability policy.

The West German inflation rate (3.7 per cent at an annual rate in May) remains far lower than in most competitor countries.

However, it is gathering pace and the Germans are highly sensitive to any rise after years in which the trend has been the reverse.

The report shows that, despite various restrictive measures, growth in Central Bank money supply remains somewhat above the upper limit of the desired target range (6 per cent to 9 per cent between the last quarter of

last year and the last quarter of this).

While the overshooting at first sight seems marginal, the economy has been performing more strongly than was generally expected even six months ago and the Deutsche Mark is relatively weak. Under these circumstances, the Bundesbank would be happier to see money supply growth closer to the lower limit set and seems likely to take further steps to achieve this.

A note of discontent can be discerned in the report, both with the commercial banks and with the public sector, as though it is felt they could be doing more to support the Bundesbank's stability efforts.

The report notes that bank credit to domestic enterprises and individuals rose from February to April (seasonally adjusted and at an annual rate) by 15 per cent—the highest rate since the start of 1973. Present indications were that this strong credit growth would continue, despite the change of course the Bundesbank had been trying to signal with its own policies.

The Central Bank agrees there are some signs that the public sector is trying to cut back its deficit in the medium term. But it leaves little doubt it wants still more done. The danger seen is of a serious collision between public and private borrowers on the capital market, higher interest rates, a subsequent slackening of private investment and thus a threat to jobs.

The underlying question is: if the public sector cannot markedly reduce its deficit at a time of strong economic growth, when will it ever do so?

THE LEX COLUMN

## More smiles from Trusthouse Forte

There was a time when Trusthouse Forte scarcely broke even in the first half of its financial year. Yesterday, by contrast, it reported interim profits of £19.2m pre-tax: a rise of 55 per cent on 1977-78: the dividend goes up by two-fifths. What has made this possible, says TEF, is a big marketing effort in recent years to sell hotel space profitably during the winter months. Occupancy rates in the UK are only marginally ahead in the six months, with a rise in the provinces, offsetting a slight fall in central London, where TEF has around a quarter of its UK bedrooms.

But tariffs are up to 15 per cent higher, and cheap bulk bookings are a thing of the past. The upshot is that hotel profits in the UK are about 30 per cent higher before interest in the period, and the U.S. hotels have done almost as well. Trading profits, overall, are 32 per cent higher, and a fall in finance and tax costs has slipped the increase at the attributable level up to 62 per cent.

Forward bookings are satisfactory in London and very strong in the provinces, where TEF is seeking an influx of tourists from the Continent. But overall profits growth is likely to be less dramatic over the rest of the year. UK wages rose by around 14 per cent in May, and last summer was a bumper period for the group. Something like £75m pre-tax could be in view for the year, compared with £55.5m in 1977-78, and on that basis the overall dividend could comfortably go up by two fifths and still be covered more than 2½ times.

At the same time, the group's cash balances continue to build up. TEF started the year with net cash of over £50m in the balance sheet, and its net cash flow could now be running at say £20m more than its capital spending. That leaves it room for manoeuvre in what may well be a leaner economic environment. At 164p, the prospective yield could be around 6½ per cent, while the p/e on a 40 per cent tax charge may be under 8.

### Trade figures

Less than a fortnight after the last bunch of strike-bound trade figures emerged, the financial markets had to absorb yet another dose yesterday. And as with the first lot there was plenty of confusion.

At first glance they do not look too bad. The current

Index rose 3.7 to 486.6



The foreign punter will probably be most attracted to the £15 paid issue of Exchangeable 12½ per cent 1999. However, it is unlikely that the domestic institutions will chase after the foreigners if they come into the gilt edged market especially if the gilt is going to stay at current levels for some time.

### Rights issue

It turns out that shareholders took up only a quarter of the Thomas Tilling rights issue. The main reason why this issue has been stranded is that the market as a whole has been weak since it was launched, but it is also true that since then Tilling's share price has performed badly in relative terms, which highlights a worrying recent trend. This column pointed out on June 9 that recent large rights issues had tended to be associated with poor relative share price performance—an average relative decline of something like 25 per cent in the cases of issues of £25m or more launched between January 1978 and January 1979. Now brokers Wood Mackenzie have carried out an investigation into the share price performance of companies which made rights issues in an earlier period covering May 1975-1977. It shows a similar depressing picture.

Out of 16 companies which raised £25m or more, only two have achieved relative share price strength against the All-Share Index since the ex-rights dates. Ironically these two are Grand Metropolitan and Tilling, which have just come back for second helpings. The average underperformance is about 30 per cent, over periods which vary from two to four years.

These figures refer only to the largest issues. There is evidence that small companies raising new equity capital have performed much better. But most of the new equity money absorbed by the company sector has, of course, gone into the large companies.

Wood Mackenzie say that a rights issue should not be seen as an automatic signal of poor relative performance to come. But they issue a warning. "For the institutions," they say, "a steady stream of rights issues should not be viewed as an easy solution to the problem of investing cash flow in the equity market. In some instances it could signal the time to reconsider their overall commitment to the company."

## Government attacked for order losing shipbuilding

BY IAN HARGREAVES IN LONDON AND LANCE KEYWORTH IN HELSINKI

A UNION leader accused the Government yesterday of losing a vital shipbuilding order by refusing to help a UK yard match an "unfair" bid by a Finnish yard.

Mr. Alec Ferry, general secretary of the Confederation of Shipbuilders and Engineering Unions, said the unions were angry that the order for a North Sea multi-purpose support vessel from a Shell-Esso consortium, had been lost.

The successful £42m bid by Rauma Repola of Finland contained "an element of unfair trading," he claimed.

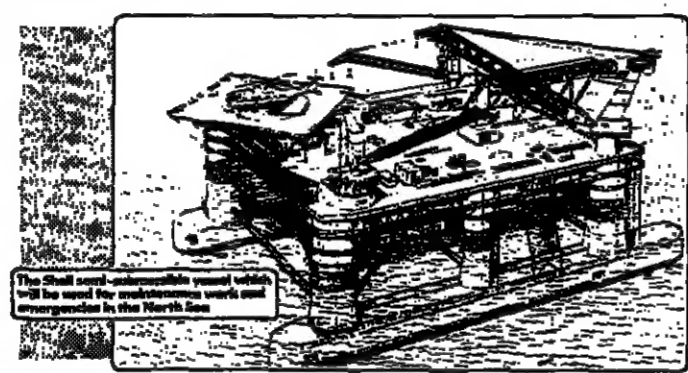
"We have to operate within certain controls in this country—others the controls are not so strict. All we ask is fairness to compete."

"Rauma Repola denies unfair bidding. The company is one of Finland's largest and most successful industrial conglomerates, with a turnover last year of £340m. It has built 11 semi-submersible oil industry craft in the last two years."

No general subsidy schemes are available to Finnish shipbuilders, although specific subsidies have been given in two instances to the Wärtsilä yard. These enabled it to win domestic contracts which would otherwise have gone abroad.

Mr. Hamish Gray, Energy Minister, told the Commons yesterday that the level of subsidy required—nearly £30m—"could not be justified."

There were two separate UK bids for the order, from Harland and Wolff, Belfast, and a



The Shell order was won by a Finnish yard, Rauma Repola, which has built 11 semi-submersible oil industry craft in the last two years.

joint bid by Scott Lithgow and Govan, both members of British Shipbuilders. Both bids were more than £70m.

According to UK figures, the cost of materials alone amount to £48m. In addition, the UK yards were offered delivery in three years, against two years from Rauma Repola and other continental yards.

The Government's decision not to subsidise the order is an important break in policy from Labour, which forced the oil companies to give major contracts to UK industry.

Last year, British Petroleum ordered a similar £50m vessel at Scott Lithgow, but only after the Government instructed the state-owned British National Oil Company to take a 25 per cent stake in the project.

Between five and seven years of the same type are expected to be ordered for the British sector of the North Sea in the next few years. They will be equipped to tackle a fire

or pollution incident.

The prospect of a chain of orders was highly attractive to Scott Lithgow, which is attempting to specialise in oil industry work. At Govan, on the Upper Clyde, the main reason for wanting the order was to preserve jobs. Work runs out on the yard's last order this summer and over 5,000 jobs are at risk.

The Shell vessel, which will also be suitable for diving and maintenance work, will serve in the Shetland basin. It will be operated by Seathorn Maritime of Aberdeen, which has been awarded a £100m five-year operating contract by Shell.

Seathorn's success in winning the contract, for which there was fierce competition, owes much to the company's Norwegian design consultant, Mr. Thor Haavel, who also designed the highly successful Uncle John semi-submersible support vessel owned by Furness Withy.

Editorial comment, Page 18

## Steel union to fight any bid to sell BSC

BY CHRISTIAN TYLER, LABOUR EDITOR

THE STEEL industry's biggest trade union yesterday declared itself ready for "concerted industrial action" to fight any Government attempt to sell parts of the nationalised British Steel Corporation.

The unanimous decision by over 300 delegates at the Iron and Steel Trades Confederation conference at Bournemouth was a rebuff for Mr. James Callaghan, Opposition leader, who on Sunday told the unions to leave to him political opposition.

Mr. Margaret Thatcher's policies. The former Prime Minister's statement followed militant warnings by Scottish miners, and some groups of public service workers, and the TUC leaders' decision to start a more muted propaganda campaign against the Government's economic policy.

The motion passed at Bournemouth, from Clydesdale in Scotland, urged the executive to take whatever steps necessary to oppose attempts to denationalise BSC "including, if appropriate, industrial action." The decision was taken in the full knowledge that it would be seen by some as a political move. But it was defended on the grounds that BSC, stripped of its profitable plants, would be run down even further, with the loss of many more jobs.

Mr. Callaghan was upbraided by Mr. Tony Cook, a member of the executive: "We have been told quite clearly by the ex-Prime Minister not to use our industrial muscle politically. I wonder why. We used it politically against the Industrial Relations Act. Does he know

something we don't know?" Perhaps Mr. Callaghan was trying to stop the Tories "bringing the jackboot down on our necks."

Mr. Bill Sims, general secretary of the union, which has a moderate image, said the ISTC was not afraid to follow the example of French steel workers in their fight against closures. "We are not going to interfere politically to bring this Government down, but if they are interfering with our industry, it's our job."

Ministers had not indicated so far that they would attempt the living off that delegates feared. The executive would not automatically call a strike but would use its judgment, if such plans were put forward. This was a tacit reminder that ISTC conference decisions are only advisory.

Proposing the motion, Mr. Pat Shevlin reminded the conference that 70 Conservative MPs had signed a Bill while in opposition for denationalising BSC. They included Mr. Adam Butler, now Minister responsible for the steel industry.

Supporting him, Mr. Pat McKenna, also from Clydesdale, said to carry the motion would mean the union was the first to fire a warning shot across the Tories' bows.

Mr. Cook gave the executives' blessing for the motion. He said that it might be seen as a political trespass into the industrial fields. But the union must show the country its face in a publicly-owned steel industry and its determination to protect the livelihood of its members in spite of Mr. Callaghan's strictures.

Continued from Page 1

## Crisis near-Yamani

told BP it will cut deliveries to the company by up to 100,000 barrels a day from August 1. The move has been triggered by Nigeria's toughened boycott on trade relations with South Africa. BP sent a tanker ultimately owned by a South African shipping company to Nigeria to pick up a cargo destined for Rotterdam. The ship was seized and the cargo confiscated.

As a penalty it appears that BP could lose up to a quarter of the crude it usually lifts from Nigeria, and the company is now urgently trying to discover how long the penalty will last.

Shell said yesterday that it is making a further cut in the crude oil supplies to third-party customers. From July 1, these sales will be cut by half of contract levels compared with a 22 per cent cut in the second quarter.

Shell was supplying about 300,000 barrels a day to third-party customers at the beginning of the year, about 7 per cent of its total supplies. Its main customers are in the U.S. and Japan.

Saudi Arabia is looking for Western incentives from the West to encourage it to explore for more oil reserves. Sheikh Yamani said yesterday that geologists had suggested further exploration could determine an additional 100bn barrels of proven crude reserves in Saudi Arabia. Present proven reserves are estimated at 165.7bn barrels.

Saudi Arabia would need a reasonable return on its investments over and above inflation. It would require access to equity markets without restrictions, and guarantees that it would not face confiscation, nationalisation or restrictions on the movement of its capital.

## EEC plan to control oil spot markets

BY GUY DE JONQUIERES, COMMON MARKET

THE EEC is to explore the possibility of organising an "oil exchange" for spot market transactions, in an attempt to bring greater discipline and disclosure to international trading in crude oil and products.

The European Commission has been instructed by energy ministers of the nine Common Market countries to produce a detailed study of the idea soon. If put into effect, it would presumably aim to supplant the spot markets centred in Rotterdam and Genoa.

It is tentatively envisaged that such an institution would be modelled on the lines of a stock exchange. Officials in Brussels believe that it should involve, among other things, the definition of formal criteria for the admission of traders, an obligation to disclose information about purchases and sales of oil, and a degree of official supervision to ensure orderly and honest trading.

The Commission and some EEC governments believe that such a step is needed because of the lack of information about transactions on the spot markets, where the relatively small proportion of internationally traded crude and products not subject to long-term contracts is bought and sold on a highly-informal basis. If an oil exchange were set up, it would supplement the

decision in principle taken by EEC energy ministers in Luxembourg on Monday to require official registration of all transactions carried out both on the spot market and between oil companies handling supplies originating inside and outside the community.

Britain and Germany would be likely to insist as they have done over the registration scheme that an oil exchange would work only if it were to operate on a truly worldwide basis, with the co-operation of countries outside the EEC. Otherwise, they argue, it would merely drive the spot market out of the Community.

A high-level EEC delegation composed of the French, and Irish energy ministers and Dr. Guido Brunner, the Energy Commissioner, is to hold talks with representatives of the oil exporting countries on June 30, four days after the next OPEC price meeting in Geneva.

The aim of the discussion is to exchange information on the likely development of the industrialised economies and the oil markets during the coming months. The EEC hopes by then to have agreed on additional measures to curb demand for oil. These are due to be discussed by EEC Government leaders in Strasbourg later this week and at the Western economic summit in Tokyo a few days later.

## U.S. petrol

Continued from Page 1

Similar curbs are to be introduced in the Washington metropolitan area which includes parts of Virginia and Maryland. Governor Elia Grasso of Connecticut has also announced that she will shortly curb petrol sales.

The new restrictions will affect millions of North-easterners, and seem certain to intensify the mounting public anger at the petrol supply crisis. This will put further pressure on the Carter Administration and the oil industry.

The Administration has been giving conflicting signals on the petrol supplies outlook. Late May, it suggested that the situation should ease this month. But Governor Hugh Carey of New York cited worsening supplies and longer filling stations queues as the reasons for the sales restrictions. Last weekend it was difficult to find a filling station in the New York area open, and many stations remained closed on Monday morning.

A strike by independent hauliers would also intensify the Administration's problems. Hauliers have been protesting for several weeks about the rising cost of diesel fuel and last Friday the Interstate Commerce Commission announced that they would be permitted to receive a 5.6 per cent surcharge to offset these costs. But the hauliers have rejected this as inadequate and in some parts of the country blocked diesel filling-stations.

## Weather

### UK TODAY

MOSTLY sunny, becoming cloudy in the North. Little rain in Scotland and Ulster. Hot in South.

S. and Cent. N. England, Midlands, Channel Is., S. Wales. Dry and sunny, cooler near coasts. Max. 28C (78F).

N. Wales, N. England, Isle of Man, S. Scotland. Sunny periods, becoming cloudy. Max. 22C (72F).

Rest of Scotland, Ulster. Cloudy with sunny periods. Little rain. Max. 19C (64F).

Outlook: Dry and warm. Cooler in North with some rain.

### WORLDWIDE

Place	Temp	Wind	Cloud	Temp	Wind	Cloud
Algeria	22	22	22	Lisbon	22	22
Alexandria	22	22	22	London	22	22
Athens	22	22	22	Madrid	22	22
Bahia	22	22	22	Mexico	22	22
Bombay	22	22	22	Moscow	22	22
Buenos Aires	22	22	22	Mumbai	22	22
Calcutta	22	22	22	Nairobi	22	22
Cairo	22	22	22	Rangoon	22	22
Canton	22	22	22	Reykjavik	22	22
Cebu	22	22	22	Rome	22	22
Dhaka	22	22	22	Sao Paulo	22	22
Delhi	22	22	22	Singapore	22	22
Dublin	22	22	22	Stockholm	22	22
Frankfurt	22	22	22	Taipei	22	22
Geneva	22	22	22	Tokyo	22	22
Hankow	22	22	22	Yokohama	22	22
Hong Kong	22	22	22			
Kobe	22	22	22			
London	22	22	22			
Lyons	22	22	22			
Manila	22	22	22			
Medan	22	22	22			
Metz	22	22	22			
Moscow	22	22	22			
Mumbai	22	22	22			
Nairobi	22	22	22			
Rangoon	22	22	22			
Reykjavik	22	22	22			
Rome	22	22	22			
Sao Paulo	22	22	22			
Singapore	22	22	22			
Stockholm	22	22	22			
Taipei	22	22	22			
Tokyo	22	22	22			
Yokohama	22	22	22			



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Registered at the Post Office, Printed by St. Clement's Press for and published by the Financial Times Ltd, British House, 1, The Financial Times Ltd, 1979.